

OVERSEAS NEWS

Moscow decrees Communist Party democracy programme

By John Lloyd in Moscow

AN unprecedented programme of renewing, democratising and slimming down the Soviet Communist Party has been decreed in resolutions published over the weekend...

The means of production "belonged to nobody" and ensured "a genuine economic independence and responsibility of personnel, work collectives and a direct link between the earnings of people and the end results of their work".

The resolution on party restructuring calls for the party to withdraw from administration by the end of the year, recognising that "the overall number of personnel be substantially reduced".

Advanced economies face fresh challenge

A new wave is following the newly-industrialised nations, Robin Pauley reports

NOTHING succeeds like success. Twenty years ago the world's major advanced economies improved their relative strengths by utilising the comparative advantage available, particularly through cheap and plentiful labour...

Latin American ones. The NICs increased their share of total market economies' GDP from 3.5 per cent in 1964 to 6.2 per cent in 1983, compared with a decline from 72.1 per cent to 63.7 per cent for the nine OECD members...

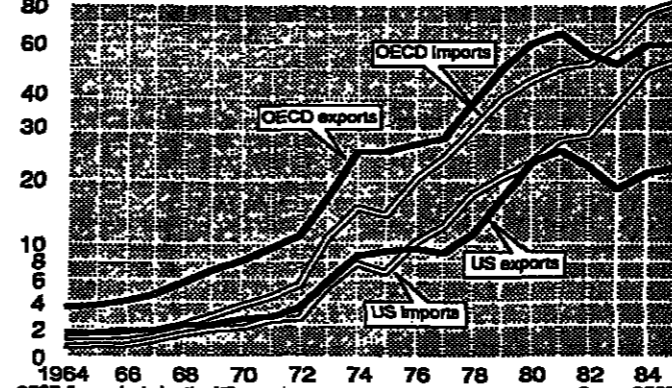
The industrial dynamic manifested by the NICs has generally taken the path, first, of the result of a double emphasis on exports: on the one hand the NICs chose development strategies based on the development of exports...

such a regime," it says. The rising concern about the rising competition from the NICs in the 1970s was partly the result of the deteriorating economic situation in OECD states after the first oil shock.

anced trade flows between OECD countries and the NICs would result from such a reorientation of the growth process in the NICs...

OECD & US

Trade in manufactures with the NICs (\$ billion)



OECD figures include the US

Peruvian police detain alleged Abu Nidal committee member

By Barbara Durr in Lima

PERUVIAN police at the weekend said they were holding a man believed to be a central committee member of Abu Nidal, a breakaway faction of the Palestinian Liberation Organisation...

Peru can only expel them from the country for visa violations. President Alan Garcia, however, suggested he was consulting on extradition.

The report deals principally with four Asian NICs (Hong Kong, Korea, Taiwan and Singapore) and two Latin American (Mexico and Brazil), with the emphasis on Korea and Taiwan.

import substitution, behind protective barriers, followed by more outward-looking, export-oriented strategies when the limits and distortions of import substitution for example under-utilisation of installed capacity and of local labour force and penalisation of exports by artificially high exchange rates...

The economic output of these six NICs together grew at an average annual rate of 8.4 per cent between 1964 and 1973, slowing to 5.3 per cent between 1973 and 1983. This compares with 4.1 per cent and 2.1 per cent respectively for all developed market economies.

European Community, but will probably be replaced by a cap on Japanese sales in the EC. DRI claims, however, that many EC industries are concerned that the removal of the very obstacles that have made them uncompetitive, before they have had time to restructure, will make them even less capable of competing with non-EC manufacturers.

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'EC unready for threat to car output'

By Kevin Done, Motor Industry Correspondent

THE European Community lacks a common external trade policy to deal with future threats to EC car production from Japan, South Korea, and the US...

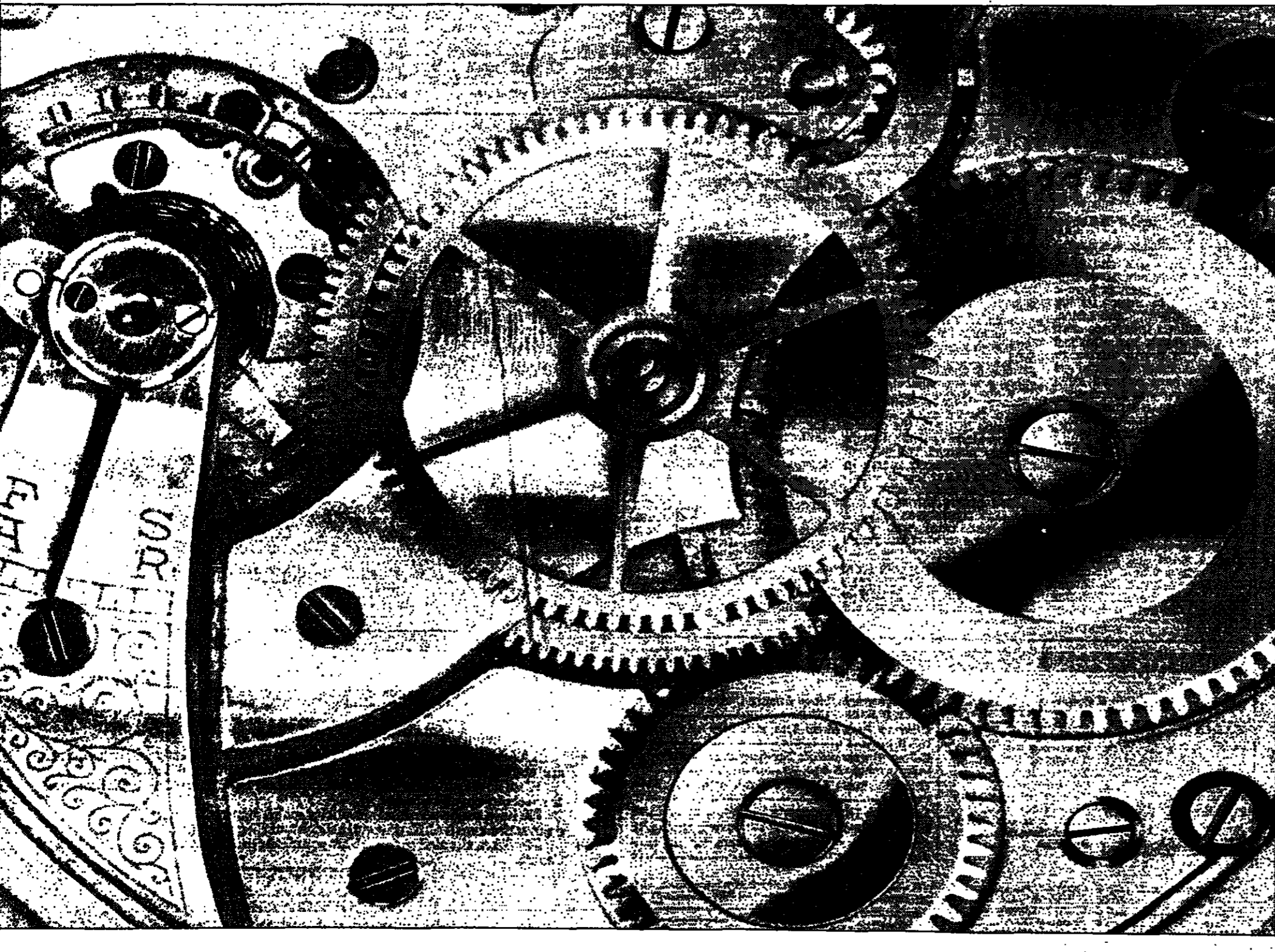
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OVERSEAS NEWS

Afghan rebel leader criticises attacks

By Christina Lamb in Peshawar

THE leader of one of the seven Afghan resistance parties has strongly criticised attacks on departing Soviet troops.

Prof Rahbani, leader of the fundamentalist Jamiat Islami party has appealed to guerrilla forces to let the Soviets go peacefully if they do not first bomb villages. He believes that if the Mujahideen rebels continue to fire on departing troops the Soviets might delay withdrawal.

There has been a sharp increase in the number of rockets fired into the capital by the guerrillas. British nationals have been advised to leave because of what the Foreign Office describes as a deteriorating security situation.

PLO man rearrested

Israeli security services yesterday arrested Mr Faisal Husseini, a champion of the PLO's Liberation Organisation in East Jerusalem, writes Eric Silver in Jerusalem. Mr Husseini, who was released in June after nine months in prison without trial, was placed under administrative detention for six more months.

Police said he had resumed his "subversive, hostile activities" immediately after his release.

Tunis pluralism call

President Zine El Abidine Ben Ali called for political pluralism when he addressed the first Congress of the ruling Rassemblement Constitutionnel Democratic party to take place since the enforced retirement of Tunisia's first head of state, Mr Habib Bourguiba, writes Francis Ghilès.

"Pluralism is no longer a mere possibility; it has become a necessity," the country's ruler stressed.

Twelve die in SA

Police shot and killed a black man in a township and three men were killed in fighting between rival gangs, taking to 12 the weekend toll in racial and political violence in South Africa, Reuter reports from Johannesburg.

In Johannesburg, police identified a woman killed in a bomb explosion on Saturday as 21-year-old Mary-Ann Szerman from nearby Boksburg.

HK man to stay on

Mr Piers Jacobs, Hong Kong Financial Secretary, said he would stay on despite mounting rumours that he would be replaced, the government-owned Radio Television Hong Kong (RTHK) reported, Reuter reports from Hong Kong.

Speculation that he would resign emerged after the October stock crash as he was criticised for permitting a four-day suspension of the Hong Kong stock exchange.

Laos seeks funds

Laos has enacted a new law to attract foreign investment, hoping the move will bring technology to help develop its poor economy, the national Lao news agency KPL said, Reuter reports from Bangkok.

KPL said the Lao Peoples Supreme Assembly recently passed a 32-article law to protect foreign investment from government nationalisation.

Jordan and Egypt in trade agreement

By Tony Walker in Amman

JORDAN and Egypt have agreed on a \$300m trade deal for 1988 after a visit to Amman by an Egyptian delegation led by Dr Atef Sidki, the Prime Minister.

Barter will account for about half the goods to be traded under the agreement, which was negotiated over two days of talks.

Jordan would supply mostly cement in exchange for Egyptian aluminium, rice, cotton

Experts tackle the riddle of the Sphinx

Tony Walker reports on efforts to halt the decay of an ancient monument

When a 250 kg chunk of limestone fell earlier this year from the Sphinx, carved from a rock 50m years old, the dull and sickening thud reverberated throughout the archaeological world, budging experts rushing to the mystical monument's side and ending the career of Egypt's top antiquities official.

Now, after several months of study, a panel of local and international scholars has decided on emergency measures to save the fractured Sphinx whose inscrutable presence has dominated the approaches to the great Pyramid of Giza for almost 5,000 years.

After being taken for granted for most of its life, the curious 240-foot long creature with the god-like face of a Pharaoh and the body of a lion is being pampered in the hope that disturbing signs of mortality can be reversed. For the Sphinx is in danger of crumbling away, victim of climatic change, noise pollution and

encroaching settlement. Dr Zahi Hawass, Egypt's chief archaeologist at the Pyramids, said urgent studies were under way to decide on the best means of repairing and preserving the Sphinx.

The great architects and builders of the pharaonic era never dreamed that the desert wilderness they chose for the Sphinx and the Pyramids would be invaded by millions of tourists in buses belching diesel fumes.

Chimney restoration efforts and the lack of a systematic approach to reconstruction have also taken their toll. "You have to do it in a scientific way," he said, "otherwise the work can be destructive."

Use of cement between 1961 and 1967 corroded the soft limestone body of the Sphinx, leaving it pock-marked and weakened. Scientists were looking at the possibility of covering the Sphinx's torso with a limestone case which would preserve the structure without harming it.

Dr Omar el Irimy, a scientist on the panel called in to minister to the Sphinx, said one of the mysteries of the ancient monument was why those responsible for its construction chose an inferior limestone from which to fashion its awesome visage and body.

Some geologists believe the Sphinx's greatest enemy is an increase in humidity caused by the construction of the Aswan High Dam in upper Egypt. Another serious threat is a rise in the water table.

Pollutants from human settlement in the area - as the city of Cairo has gradually spread out to envelop the ancient monuments - have also found their way into the underground water and been absorbed into the Sphinx's body, corroding it from the inside.

Dr Hawass said his committee would adopt a two-pronged approach to the frightening prospect of a disintegrating Sphinx. One was to study the humidity level in the area and in the body of the Sphinx itself, and at the same time seek to suppress the water table.

The other task was to reduce the noise level in the area by restricting traffic. "We have a major plan to change the Giza plateau (on which the Sphinx and Pyramids are located) from a (human) zoo to an open

museum for the first time," Dr Hawass declared.

This means that hawkers and camel drivers would be kept away from the Sphinx and the base of the Pyramids. Visitors would be taken to special car parks near the plateau and ferried to the historic monuments.

Experts are also worried about the effects of mass tourism on the Great Pyramid of Cheops. They believe people should be banned from entering the monument because their presence contributes to increasing humidity levels inside.

"These monuments were built for certain functions in an isolated area. Now we are changing these functions," said Dr el Irimy. "If we keep changing the environment we'll have more troubles and some of the problems will be extremely difficult to solve."

Dr Hawass said measures to save the Sphinx should be sufficient, "but if we stop for any reason in our preservation efforts, it will be in danger."



Body building: A worker carves a stone slab for the restoration

Brazil clinches deal with Paris Club

By George Graham in Paris

BRAZIL took another step towards the completion of its heavy debt-rescheduling programme at the weekend by reaching agreement with the Paris Club, representing government creditors, on the repayment of \$5bn of official debts.

The agreement, reached in the early hours of Saturday morning, will postpone Brazilian interest and principal payments falling due over the next 20 months and spread them out over 10 years.

After the approval last Tuesday by the International Monetary Fund in Washington of Brazil's economic programme, the Paris Club agreement opens the way to final agreement on the rescheduling of \$62bn of commercial loans, coupled with a request for \$5.2bn of new money, which is now being negotiated with a committee of banks chaired by Citicorp of the US.

Mr Sergio Amaral, secretary for international affairs at the Brazilian Finance Ministry and head of his country's delegation at the Paris talks with government creditors, said the agreement was the best Brazil

had obtained at the Paris Club, and provided "a breath of fresh air to allow Brazil to put its economic adjustment programme into effect".

Payments of principal falling due between January 1987 and August 1988 are to be rescheduled over 10 years, with a five-year grace period starting in August 1988. Payments of both interest and principal from then until March 1990 will also be rescheduled over 10 years, but with a grace period only until April 1, 1990.

Mr Amaral said Brazil would "not pay a penny of interest or principal until March 31, 1990" on the loans covered by the agreement - a total of \$4,525bn.

The agreement is also expected to reopen Brazil's access to official export credit cover, which makes up a large part of the debts included in the Paris Club negotiations. The US Export-Import Bank, the UK's Export Credits Guarantee Department and France's Coface had all indicated that they expected to renew their cover for Brazil once the Paris Club rescheduling was approved.

Shultz tour to put pressure on Sandinistas

By Tim Coone in Managua



Shultz: Latin America visit

THE US Secretary of State, Mr George Shultz, is to begin a 10-day tour of Latin America today with the apparent aim of sounding out support for renewed pressure upon the Sandinista Government in Nicaragua.

Mr Shultz starts his tour in Guatemala, where he is to meet foreign ministers of the Central American countries which signed the Esquipulas II peace plan a year ago, with the exception of Nicaragua, which has not been invited.

The recent crackdown by the Nicaraguan Government on its internal opposition, and US proposals to renew military aid

to the Nicaraguan Contras based in Honduras, are expected to be central themes of the Guatemala meeting.

Differences between the ministers make it uncertain whether a joint statement will result from the meeting, however, as the Guatemalan Government has made it clear that it will not join any move aimed at further isolating Nicaragua. Costa Rica is also firmly opposed to the renewal of military aid to the Nicaraguan rebels.

Mr Shultz's task is to rally support for a last-ditch offensive against the Sandinistas before the Reagan administration

Chinese reverse prices promise

IN SPITE OF official promises of no more price rises this year, Chinese consumers are braced for a new round of increases in the cost of basic commodities, as China faces its worst inflation since 1949, writes Peter Ellingsen in Peking.

According to the People's Daily, 10 household items will go up because of production shortages. Food prices are predicted to rise later this year after a decision in April to lift price controls on staples such as sugar, meat and vegetables.

Both moves directly contradict a government undertaking last week promising no more price rises this year.

Burma detains reporter and leading dissident

BURMA'S most prominent dissident, retired Brigadier Aung Gyi, several of his associates, and Sein Win, a reporter for The Associated Press news agency have been detained in Rangoon, diplomats said at the weekend, Reuter reports from Hong Kong.

One diplomat in Rangoon said he believed 11 or more of Aung Gyi's associates had been detained.

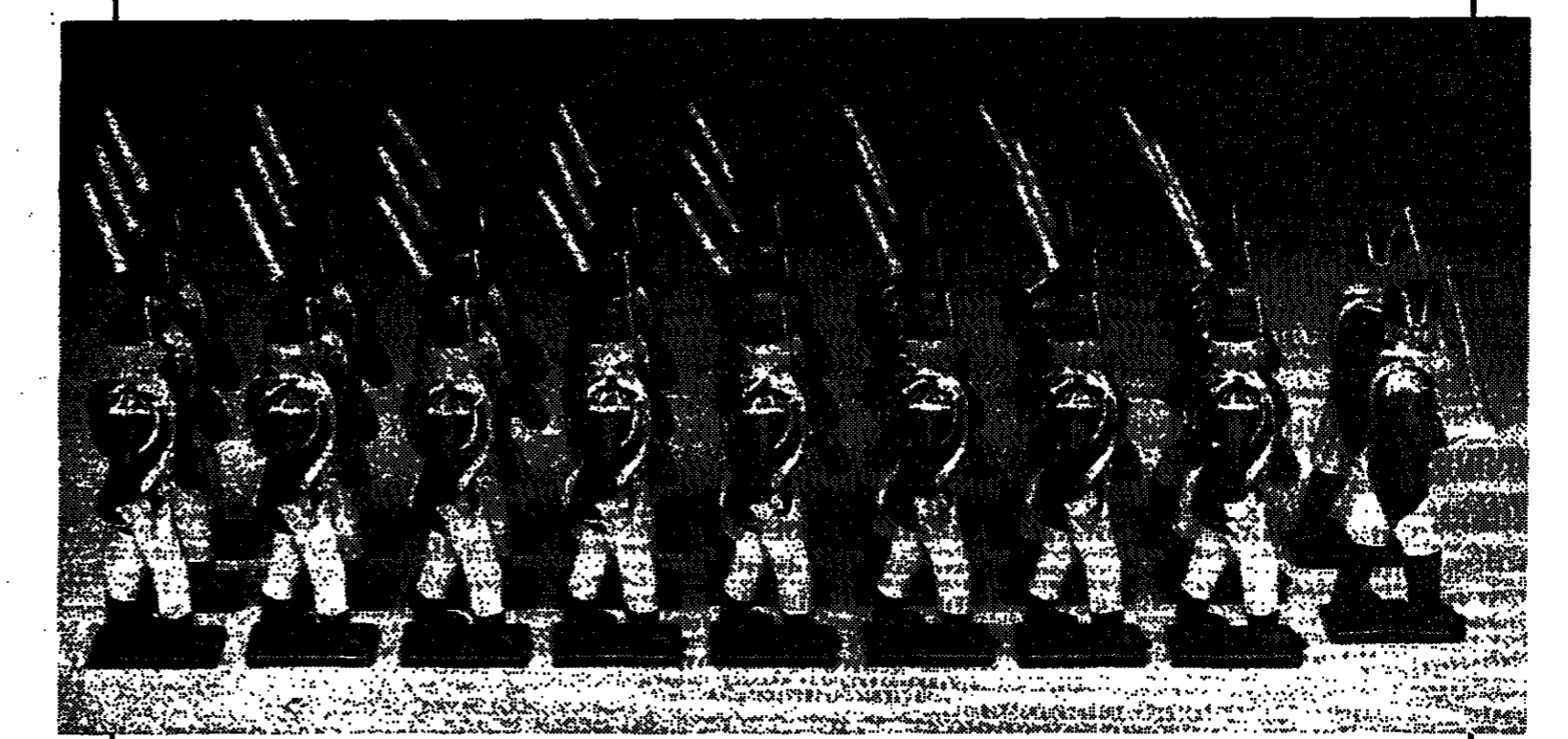
A former colleague of Burmese leader U Ne Win, who stepped down last Monday, Brig Aung Gyi this year emerged as the leadership's most prominent critic. U Ne Win's resignation from his warning of "imminent catastrophe" unless reforms were introduced were circulated earlier this year during discontent

over falling living standards that led to clashes between police and protesters.

The detentions occurred four days after the election of hardliner Sein Lwin to the supreme post of socialist party leader and head of state.

Brig Aung Gyi, 70, helped U Ne Win seize power in 1962 but was purged a year later. He was condemned by delegates at a recent emergency congress of the ruling Burma Socialist Programme Party.

The reporter, Sein Win, 66, was jailed for his journalism in the last years of the democratically-elected government of U Nu, and in the first year under the rule of Ne Win. In 1963 he was awarded the Golden Pen of Freedom by the International Federation of Journalists.



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A plan to invade America has recently come to our attention. Involving several thousand soldiers on foot. And many more on horseback. But before you start diving for cover, allow us to explain.

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GEOFFREY CREESE WON'T BE BUYING AN 'F' REG CAR TODAY.



For one thing he hasn't got time. He flew from Gatwick this morning with the other 97 members of London's leading symphony orchestra, on the first leg of their journey to the Salzburg Festival.

The main reason for not buying one, of course, is that Mr Creese already owns an 'F' reg car.

A 1968 Volvo 121.

"I have driven some 200,000 miles in the car between rehearsal rooms, recording studios and concert halls," he wrote in his letter to us.

"Much of the driving is in London's heavy traffic. Sometimes schedules can be hair-raising to say the least. If I am playing in a concert I cannot

be late so a reliable car is an absolute necessity.

I am sure you receive many testimonials to your excellent cars and I am delighted to add to their number."

Thank you Mr Creese.

We look forward to hearing from you again in another 20 years.

VOLVO

Life office prospectuses proposed

By Barry Riley

EACH LIFE assurance office should prepare a prospectus or marketing information brochure, according to Camifa, the Campaign for Independent Financial Advice...

costs would be far in excess of any benefit to consumers. Camifa repeats its earlier warnings about the impact of disclosure of commissions by independent financial advisers...

According to Mr Glover, the suggestion of a prospectus is put forward as "a starting-point for a constructive debate."

It is understood that the SIB will put forward its own views in about three months' time. Camifa argues that no final decisions should be taken until there has been time for full discussion of the implications of the ending of the Lauto commission agreement.

Foundries fight plans to end levy for research

By Richard Tomkins, Midlands Correspondent

BRITAIN'S iron foundry industry is resisting government proposals to scrap the compulsory levy which is imposed on nearly all iron foundries to fund research into castings technology.

Littlewoods seeks a bank for its business catalogue

Barry Riley on the latest Girobank permutations

THE NEWS that the Littlewoods Organisation is a bidder for Girobank underlines the changing nature of the financial services industry.



Desmond Fitcher: Restored Littlewoods fortunes

to improve their competitive position. Bids from foreign banks will also be sympathetically considered.

Merger sets up regional polytechnic

By David Thomas

A NEW regional polytechnic covering the City of London and East Anglia is being formed by the merger of three colleges, the most dramatic example yet of a wave of amalgamations in higher education.

Boost for school-leaver scheme

By David Thomas, Education Correspondent

THE GOVERNMENT is likely to expand its funding for a new type of partnership between business and schools, which guarantees jobs to school-leavers in deprived inner-city areas.

emerged that the East London compact has helped to cut truancy, encourage children to prolong their education, and deepen school-industry understanding through work experience programmes.

There was a 9 per cent rise in the number of full-time academic staff paid wholly from a minimum level of research, its abolition, they say, could jeopardise BCIRA's future and would be to the industry's long-term detriment.

Universities increase research earnings

BRITISH universities earned £630m from research contracts and other services in 1986-87 - an increase of almost £100m on the previous year, according to figures published today by the University Grants Committee.

Grant income from the Exchequer increased by £55m. The proportion of universities' income received in this form was 53 per cent - £1.57bn - representing a fall for the fourth year running.

There was a 9 per cent rise in the number of full-time academic staff paid wholly from a minimum level of research, its abolition, they say, could jeopardise BCIRA's future and would be to the industry's long-term detriment.

PM seeks to reassure non-EC nations

By Peter Riddell, Political Editor

MRS Margaret Thatcher yesterday sought to offer reassurance about the implications of the creation of the single European market in 1992 for countries outside the community.

MRS THATCHER held talks yesterday with Mr Lee Kuan Yew, the Singapore Prime Minister, on the third stop of her trip to the Middle East, south-east Asia and Australia.

On Saturday in Oman, Mrs Thatcher discussed with Sultan Qaboos the prospects for a ceasefire in the Gulf War between Iran and Iraq.

She added that Britain's current account deficit was a problem created by the country's fast growth and the "unusually high" investment in industry this year. The deficit "is in no way due to our handling of the public sector because we still in fact have a surplus in the public sector."

Kinnock's rating 'lowest since election'

By Peter Riddell

MR NEIL KINNOCK'S personal rating as Labour leader has deteriorated sharply during the summer, according to a survey.

general election. Among Labour supporters, 41 per cent were dissatisfied.

backed his policy review. It showed that 70 per cent wanted a shift from unilateralism to a form of multilateral abolition of nuclear weapons.

Owen calls for 'less selfish' attitude to EC

By Our Political Editor

BRITAIN needs to become more "wholehearted and less selfish" about its membership of the European Community, Dr David Owen, the leader of the continuing Social Democratic Party, urged yesterday.

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Table with columns for Certificate Number, Amount, and Redemption Date. Includes a list of certificate numbers and their corresponding amounts.

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Under Federal income tax law, paying agents may be required to withhold 20% of payments to holders presenting their securities for redemption or for payment at maturity if such holders have failed to furnish a taxpayer identification number to the Paying Agent...

AMERICA'S QUALITY CRISIS. LESSONS OF THE BOEING-JAL AFFAIR. U.S. WORKERS ANGER AMERICA'S BIGGEST SINGLE CUSTOMER. Since the crash of a Japanese jumbo jet three years ago, Japan Air Lines is worried about Boeing's ability to control the quality of its planes.

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UK NEWS

Austin Rover sells fuel systems arm for £3.5m

By Richard Tomkins, Midlands Correspondent

AUSTIN ROVER, the car-making subsidiary of the Rover Group, has sold its fuel systems division to the privately-owned Hobourn Group of Rochester, Kent, for £3.5m in cash. The division employs 350 people in the Birmingham suburb of Erdington. It is still widely known by its previous name of SU Carburetors Ltd, which it manufactured one of the most famous carburetors in the world. In recent years Austin Rover dropped the SU name as the product range widened to include modern electronic fuel-injection systems, fuel pumps and oil pumps. However, Hobourn - itself a motor components maker - plans to revive the SU name. The division will become Hobourn SU with Mr Tony Locke, general manager under Austin Rover, as managing director. About 75 per cent of the fuel systems company's output goes to Austin Rover and Land Rover, with the rest going to companies outside the Rover Group such as Unipart, Volvo and Lotus. Pre-tax profits in 1987 were £1.2m on turnover of £15.5m. A long-term agreement has also been signed for Hobourn to supply fuel systems to Aus-

Sales of British cars to Japan 'will treble'

By Ian Rodger in Tokyo

AUSTIN ROVER Japan (ARJ), the sales subsidiary in Japan of Austin Rover of the UK, is forecasting that its car sales in Japan could reach 30,000 units in the early 1990s, more than treble the current level. Mr Peter Woods, ARJ president, said on Friday that this optimism was based on the recent removal of Japanese trade barriers to imported cars and the growing willingness of Japanese consumers to consider imported products. ALI, which is also the Japanese representative of Peugeot, the French manufacturer, has taken advantage of rapid changes in the Japanese market. Mr Woods said ARJ's vehicle registrations in Japan rose from 2,278 units in 1985 to 7,268 last year. The forecast for the current year was 9,000. The Austin Mini, which has been updated to comply with Japanese emission standards, stands out in these figures, selling 4,597 units last year and 2,878 in the first half of this year. ARJ's dealer network has grown from 88 outlets in 1985 to 95 at the end of last year, and the proportion of exclusive dealers jumped from 7 per cent to 49 per cent. The company is now the fourth largest importer in Japan. Mr Woods said: "ARJ has succeeded in three years in raising its position from a minor to a relatively major league player. We believe volumes in the 20,000 to 30,000 level are now realisable in the early 1990s." More than three quarters of its present sales are of Austin Rover products, and the group expects that proportion to remain roughly the same for the next few years, even though Peugeot is now setting up a second distribution network in Japan. He pointed out that even though imported car sales are growing rapidly in Japan, they still take only 3 per cent of the market, if Minis are excluded. Moreover, the emphasis so far has been on luxury cars, mainly Mercedes and BMW models. However, with the revaluation of the yen and the recent removal of tax and other barriers against imports, the way was open for volume cars to compete in the Japanese market. He forecast that imports as a whole would grow at a rate of 20 per cent to 40 per cent over the next five to 10 years, bringing total import penetration to about 500,000 units a year compared with this year's expected 115,000 units. He said there was still a gap between the cost competitiveness of European and Japanese makers of volume cars, but was confident it would close. Volkswagenwerk, West Germany's largest vehicle maker, is studying the formation of a joint sales venture with its Japanese distributor, Yanase.

Protected lock industry forced to change

Richard Tomkins reports on a traditional craft facing growing foreign competition

THE LITTLE Black Country town of Willenhall, West Midlands, is a remarkable place. A relic of another age, it is a rare surviving example of a community still dominated by a single craft: in this case, locksmithing. Nearly every famous name in Britain's lock industry - Yale, Chubb, Union, Legge, and ERA - has its home within a mile or two of the clock tower in Willenhall's Market Place. So, too, do 40 or 50 smaller locksmiths, many of them working as they have for a century or more from their backyard workshops.

RECENT CHANGES OF OWNERSHIP IN UK LOCK INDUSTRY

Table with 3 columns: Company, Purchaser, Date. Includes Chubb, ERA, Yale Security Products, Ingersoll Locks, Gibbons, J. Legge.

locked by the Yale-type cylinder rim-lock, while Americans prefer the key-in-the-door knob variety used by hotels. These differences have insulated national markets from overseas competition. The industry has also been paralysed by an absence of technological advance. There has been no significant development in the science of locksmithing since Linus Yale of the US patented his pin tumbler device in 1844, and even this was simply a rediscovery of a mechanism invented by the Egyptians some 3,500 years earlier. A third factor militating against change has been the strong market. While other industries were being tested to the point of destruction by the recession of the early 1980s, locksmiths in Britain experienced sharply rising sales in response to an upsurge in reported crime - especially burglaries. This last factor, however, has paradoxically been one of the most important contributors to the recent restructuring of the locksmithing industry. The rising crime rate has not only brought rapid growth to

the security sector; it has also changed the way security products are sold. In the domestic market, for example, locks used to be supplied mainly through locksmiths and other specialist suppliers. Now, security-conscious, do-it-yourself enthusiasts are fitting window locks and mortice locks bought from DIY superstores, and packaging is becoming more important. In the industrial and commercial market, meanwhile, locks are no longer sold as separate items. They come either as part of sophisticated security packages linked to complex electronic systems, or as part of a range of architectural ironmongery and door furniture products supplied by a single manufacturer. Unfortunately for the British lock industry, the early stages of this period of change found the country's two big manufacturers, Chubb and Yale, ill-prepared to lead the way forward. Chubb, the biggest British security company and once independently quoted, suffered a sharp downturn in profits in the early 1980s, partly as a result of an ill-starred venture into cash registers. In 1984, it

fell to a hostile bid from Rascal, the electronics group. The new Rascal subsidiary - Rascal Chubb - looked a classic knit of one company's electronic and communication skills with another's lock and safe expertise, but the merger has proved slow to live up to expectations. In the year to last March, operating profits fell from £31.2m to £20.5m. Yale is big enough worldwide to have developed its own in-house electronic technology but during the past 10 years it has been beleaguered by a series of ownership changes. Eaton Manufacturing, Scovill Manufacturing and First City Industries of the US each took turns to milk it as a cash cow before Yale of the UK took over last year. Yale and Vale's UK subsidiary, Yale Security Products, has adopted a more market-oriented approach under its new management. It is selling Ingersoll Locks from Alumac as well as its own products. The independent lock makers, meanwhile, have lacked not only the marketing expertise to launch a convincing assault on the DIY sector, but also the resources to offer a comprehensive industrial package of related electronic or ironmongery products. Most have either been thrown in their lot with larger groups - ERA and Legge with architectural ironmongers Newman Tomks, J. E. Reynolds (ERA) with the Laird group's sealing systems division, and Gibbons with the quoted mini-conglomerate Frederick Cooper - or been bought out by a pair of marketing entrepreneurs. Mr Gordon Fernleigh, former managing director of Polycast and Mr Barry Bernstein, proprietor of Homechem, the flatpack kitchen company. One of the British locksmithing industry's main concerns now is that it is racked by the turmoil of restructuring at a time when it should be strengthening itself against international competition. In spite of the supposed instability of national markets, estimates from the National Economic Development Office suggest that Britain's balance of trade in locks fell from a surplus of £11m in 1981 to a deficit of £8.6m in 1986. Disturbingly, the explanation appears to lie in the fact that US, Swiss, West German and Italian companies are attacking the more sophisticated, higher added value, faster-growing end of the market, where traditional styles and designs do not necessarily apply. Pessimists in the industry fear that the trend is in danger of accelerating as international standards are harmonised in the run-up to the single European market of 1992. For too long inward-looking, complacent and disorganised, they say, British locksmiths may have woken up to the challenges too late. In Willenhall, the implications may be few for the craftsmen maintaining the traditions of a century ago by hand-building specialist locks in their own backyards. But for the 4,000 or so working in the factories in an area where unemployment is already 11 per cent, the pessimists had better be wrong.

Motor trade expects record August sales

By Kevin Done, Motor Industry Correspondent

THE UK motor industry is braced for new car sales of up to 450,000 units during August, a record for a single month, as demand peaks with today's change of the registration prefix letter. The month of August is crucial for car sales in the UK and traditionally accounts for about one-fifth of the year's total sales, with demand stimulated by the change of letter. Most car makers have introduced cheap financing and special limited edition cars. New car sales in the first six months of the year were 1.104m, 10.2 per cent higher than a year ago, and for the full year UK new car registra-

tions are set to exceed 2.1m units for the first time, bringing record sales for the third successive year. Meanwhile, Ford is to increase prices by an average of 2.6 per cent from August 15. It raised its prices by 2.5 per cent on May 16 and 2.5 per cent on January 4. The rises are expected to herald increases by other makers. Ford leads all four main segments of the UK car market with its Fiesta, Escort, Sierra and Granada models, but its market share in the first half of the year fell, partly because of the two-week strike in February, from 28 per cent a year ago to 26.94 per cent.

Coastal oil spillages rise by 15%

By Kevin Brown, Transport Correspondent

THE NUMBER of oil spillages around the UK coast rose by 15 per cent last year to 500, according to an independent report published today. The increase is revealed in the annual report of the Advisory Committee on Pollution of the Sea, a watchdog body which is a consultant to the International Maritime Organisation, the principal maritime agency of the United Nations. The report says most of the increase was due to a rise in the number of spillages from offshore installations on the UK Continental Shelf, which rose from 91 in 1985 to 165 in 1986 and 254 last year. However, the increase is attributed to more accurate reporting of spillages by offshore operators. Beach pollution declined by 18 per cent and port spills were down by 15 per cent. The worst-hit areas of the UK coast were the Crumarty Firth, Humber Estuary, Dover Strait and the Solent.

Inner cities 'need more aid from business'

By Hazel Duffy

BUSINESS is not yet making much impact on the problem of the inner cities, according to the Confederation of British Industry's task force on urban regeneration in a report due to be published in September. Underlying the report, drawn up by a group of chief executives of leading companies, is a fear that much more needs to be done if the Government's overall policies are not to be undermined by the problems of the blighted parts of Britain's cities. Mr John Banham, CBI director general, says that compa-

nies must adopt a more coordinated and coherent approach if their efforts are not to be lost in the enormity of the problem. Mrs Thatcher has made clear that the business role is vital to the success of her inner-cities policy. The report of the task force, set up in November under Mr Tom Frost, group chief executive of National Westminster Bank, sets out more specifically the part that business must play. It differs from the government line by emphasising the importance of local authorities in partnerships between the

public and private sectors. Many businessmen believe the Government's downgrading of the role of local councils hampers progress on the inner cities. Mr Banham wants business to take the leading role in partnership with local authorities in the regeneration effort. The CBI also puts emphasis on property as the key to getting the ball rolling on inner cities. So far, British business has not committed anything like the same level of resources to inner cities as leading companies have done in the US. The CBI task force has proposed initiatives such as that set up recently in Newcastle. Local businessmen, developers, the city council and others have come together to identify development opportunities. A similar initiative is being put together for Birmingham. The task force report will be discussed at the CBI annual conference in November. It will also be presented to the annual meeting of Business in the Community and to local authorities and property developers in the same month.

Dobson Park to cut jobs

By Clay Harris

DOBSON PARK industries, the diversified engineering group, is to reorganise its UK mining equipment operations with the loss of 190 jobs, mostly in the Yorkshire region. Dobson said manufacturing would continue at Fletcher Sutcliffe Wild in Wakefield and MS Longwall in Doncaster, but all other administrative and management functions would be relocated to Wigan, the group's head office and site of its main mining equipment subsidiary, Gullick Dobson. The restructuring follows Dobson's acquisition last month of the mining equipment side of MS International. Dobson's products include armoured-face and belt conveyors and hydraulic roof supports.

Footwear imports down as slow recovery starts

By Alice Rawsthorn

THE RELEGATED footwear industry may be emerging from months of recession. The levels of output and orders are recovering slowly and the industry has finally succeeded in stemming the influx of imports. Since autumn last year the shoe industry, concentrated in the north-west and the East Midlands, has suffered from soaring imports and sluggish output. As a result it has been scarred by cuts and closures. The latest figures from the British Footwear Manufacturers Federation show that the flow of imports into the UK fell in May, for the first time this year. The volume of shoe imports rose by 9 per cent to 93m pairs in the first five months of the year, but in May it fell by more than 2 per cent. Moreover, the level of output

Mercury cuts its costs on international calls

By Hugo Dixon

MERCURY Communications stands to make millions of pounds in extra profits this year after a change in the prices it has to pay British Telecom on international calls. Cable and Wireless, Mercury's parent company, said the agreement would reduce its international-related payments to BT by between 15 per cent and 45 per cent. The change was agreed after Mercury complained to the Office of Telecommunications, the industry's regulator, that BT was charging it too much for carrying international calls which originated on its network. Mercury has to put about a

National Bank Hungary U.S. \$100,000,000 Floating Rate Notes due 2000

Pursuant to Note conditions, notice is hereby given that for the interest period 29th July, 1988 to 30th January, 1989 (185 days), the following interest rates will apply: 15 YEAR ORIGINAL NOTES (Coupon No. 8) Rate per annum: 8 1/4% Amount per coupon: US\$475.35 Payable on: 30th January, 1989 3 YEAR CONVERTED NOTES (Coupon No. 1,2) Rate per annum: 8 1/4% Amount per coupon: US\$456.08 Payable on: 30th January, 1989 Reference Agent: LTCB THE LONG-TERM CREDIT BANK OF JAPAN, LTD. London Branch

Notice to the Holders of The Hokkaido Takushoku Bank, Limited U.S. \$100,000,000 1 1/4% Convertible Bonds due 2002

Pursuant to Clause 7(B) and 7(C) of the Trust Deed dated 30th April, 1987 relating to the captioned Bonds, NOTICE IS HEREBY GIVEN that: 1. The Board of Directors of The Hokkaido Takushoku Bank, Limited (the "Bank") at its meeting held on 29th June, 1988 resolved that the Bank shall grant to holders of its common stock on its register of shareholders as at 2:00 p.m., 15th August, 1988, Japan time the "record date", the right to subscribe for shares of its common stock at the ratio of 0.05 shares for each share then held by the registered shareholders. Such rights are exercisable from 12th September to 20th September, 1988 (both dates inclusive), Japan time, at the subscription price of 450 yen per share. 2. As a result of such grant of rights, the conversion price in respect of the captioned Bonds will be adjusted in accordance with Clause 7(H) of the Trust Deed from 1,062 yen to 1,028.70 yen. The new conversion price becomes effective on 18th August, 1988 which is the day immediately after the record date. Dated: 1st August, 1988 The Hokkaido Takushoku Bank, Limited

Friendly HOTELS PLC Premier House 10 Greycoat Place, London SW1P 1SB "Substantial further progress can be expected in 1988" Table with columns for 1987-86, 1987, 1986. Includes text about benefits of operating on a larger scale and acquisition of Baron Hotels.

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FINANCIAL TIMES SURVEY

Oil revenues support the healthy economy of this small and affluent Muslim country on the

Borneo coast. The Sultan, the 29th ruler, maintains his absolute power and sees no need yet for elections.

A report by Roger Matthews

Wealth and gentle pace

STUDENTS OF political and economic geography will immediately spot the apparent aberration suffered by the Great Geographer in siting Brunei Darussalam on the northern coast of Borneo.

The clues are there in abundance. Brunei is small country both physically and in terms of population: less than 6,000 square kilometres and about 230,000 people.

It is ruled by a near absolute monarch. Its economy is heavily dependent on a single natural resource: hydrocarbons.

Its Gross National Product per capita is among the highest in the world. It has substantial financial reserves. Its official religion is Islam, and, if the world were a flatter place, Brunei should, of course, have been located some thousands of miles to the west.

There, alongside the United Arab Emirates, Kuwait and Qatar, it would have been a natural member of the Gulf Co-operation Council instead of being a rather less suited member of the Association of South East Asian Nations (Asean).

But Brunei has been greatly blessed. Instead of being 75 per cent forest, its territory is 75 per cent forest. It can grow at last some of its own food.

Instead of sitting uneasily on the doorstep of one of the

world's most turbulent regions involving the worst of both religious and political extremism, it shares the island of Borneo with Indonesia and Malaysia, two generally tolerant and unthreatening neighbours.

Siting is unlikely ever to be the focus of superpower rivalry, nor is it subject to much in the way of external pressures. Instead, it is relatively free to enjoy its wealth.

The gentle pace of Bandar Seri Begawan, one of the world's least readily-remembered capital cities, is rarely ruffled other than by the siren of motor cycle outriders proclaiming the progress of members of the royal family. Some civil servants - more than 45 per cent of the working population is employed by the Government - have recently been encouraged by their employer to take up golf.

The private sector has needed no such bidding. A future entry by Brunei in the Guinness Book of Records (there are two already, both relating to affluence) could well come under the heading "Largest Proportion of Regular Golfers."

There is just one status in Bandar Seri Begawan, that of Sir Winston Churchill who stands pugnaciously outside the only museum in the world



Brunei Darussalam

dedicated solely to his achievements; and reminds those with very short memories that Brunei became fully independent from Britain only in 1983.

Sir Winston's presence was not a British initiative and the enthusiasm for things Anglo-Saxon has not greatly diminished in the past four and a half years.

Rolls-Royces and Range Rovers, teachers and seconded military officers, light tanks and missile defence systems, television programmes and educational videos - wherever Britain has an internationally competitive product it enjoys an almost automatic advantage.

The maintenance of the colonial link for a decade and a half after some of its neighbours won independence appears to have served Britain and Brunei well. By 1985 the communist threat to South East Asia which caused such severe birth pangs for Malaysia and Singapore had been virtually eliminated.

The successive oil price rises of the 1970s provided the country with a substantial financial cushion. Asean was already a proven grouping and, while scarcely dynamic, had created a sense of regional identity.

The 15th member of the United Nations thus enjoyed a fairly painless birth and if problems were to be encountered they would be those familiar to nations or individuals which have inherited wealth or had it thrust upon them. For these fortunate few the requirement to create new assets is less important than the prudent administration of that which is already gained.

The few occasions since independence that Brunei has appeared in international headlines have almost all related to the expenditure of large sums of money, whether in a personal or national capacity. In Brunei it is not always easy to distinguish the separate functions.

His Majesty Sultan Haji Hassanal Bolkiah appears in the Guinness Book of Records as the world's richest man with an estimated fortune of US\$25bn, an entry which has angered the Brunei authorities. They say this figure might be valid only if it included the nation's entire reserves.

However, his majesty is also Prime Minister and Minister of Defence. Reporting directly to the Prime Minister's office are the police, the civil service commission, audit, councils, administration, establishment, detention centre, the anti-corruption bureau, petroleum unit, plus broadcasting and information.

Two of the Sultan's brothers, Prince Muda Haji Mohamed Bolkiah and Prince Muda Haji Jefri Bolkiah are the ministers of Foreign Affairs and Finance respectively.

Such a considerable concentration of portfolios in the hands of one family has led some internationally-experienced bankers to conclude that the clarity of the line between private and public purse in Brunei is perhaps more blurred than in any other country which comes readily to mind.

The free-spending style of the 42-year-old Sultan and his penchant for acquiring hotels, aircraft, yachts and customised cars and, more recently, works of art, have tended to reinforce this impression, at least in the public mind. And it is attracted to the Sultan and to Brunei the predictable quota of international bounty hunters eager to exploit any naivety or inexperience.

This perhaps goes some way to explaining Brunei's role in providing funds for the Contra rebels in Nicaragua; the fraudulent activities which led to the closure of the National Bank of Brunei; and the unsubstantiated allegations that funds from the Sultan played a role in the takeover battle for control of House of Fraser, the British company whose Harrods department store.

The Sultan has said he was misled over the contra payment and the \$10m has since been repaid. He has denied any involvement in the House of Fraser takeover. Some of those

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A modern monarchy	Picture: The Sultan returns from the Hajj

responsible for the National Bank of Brunei collapse have been tried and jailed.

However, the publicity and rumours have obviously upset the Sultan, as has the volley of sniping which accompanied the construction of a gold-domed 1,700-room palace which serves as both his main residence and administrative headquarters.

"The people of Brunei expect him to live in such style," say his defenders. The expectation seems of fairly recent origin though since his father, known popularly as "The father of modern Brunei" who died in 1986, favoured a more modest lifestyle.

The Sultan's lifestyle may also have served to foster the understandable acceptance among a growing proportion of the population, which is about 70 per cent Malay, that the provision of affluence is a function of the state. Like some of the gulf states, Brunei citizens enjoy cradle-to-grave welfare services and a virtually tax-free environment.

Generous housing and car loans allow quite young people in government service to build substantial homes and drive luxury cars. A student studying medicine abroad might expect to return home to a payment of about \$170,000 in accrued service, having already received a totally free education.

While such a financial stimulus is considered necessary to persuade young people to attempt the more demanding professions, it nonetheless contributes to the national perception of the state as the provider, a function reinforced by the necessity of attempting a more equitable distribution of wealth.

In common with the smaller Gulf states, Ministers in Brunei talk optimistically of a more diversified economy in readiness for the day when its oil reserves are exhausted. They wish to see a stronger private sector, some manufacturing, the development of service industries, and a greater flow of qualified citizens into the professions.

In short they want Brunei to be like other countries with a range of economic activities and local skills.

But with a workforce currently totalling only a little over 80,000, the limitations are obvious. The country has the financial resources to purchase the physical infrastructure of a

KEY FACTS

Population: 226,300
Land area: 5,765 sq kms
External trade - 1986 (Brunei \$m): Imports: 1,450.4
Exports: 3,990.1
Total: 5,440.5
Balance: 2,539.7

Government revenue and expenditure - 1986 (Brunei \$m):
Total revenue: 3,331.5
Total expenditure: 2,720.4
Surplus: 611.1

Oil production (current):
150,000 b/d
LNG: 5.1m tonnes a year

Exchange rate: US\$1 = Brunei \$2.02

modern state including armed forces, a diplomatic service and a national airline, but it will be forever struggling to find local people to staff them adequately.

There is a large expatriate workforce, especially in the construction industry, but it does raise the sensitive issue of what limit should be placed on the numbers of foreign workers in Brunei.

Equally sensitive is the attitude of the Government to the Chinese population, who number up to 60,000. An estimated 20,000 of them - many of whom have lived in Brunei for 20 years or more and consider the country their home - are effectively stateless.

To be granted citizenship they have to pass a stiff examination based on the customs, practices and language of the majority Malay population. There is no syllabus and no formal method of instruction.

It is not surprising that many Chinese, and indeed Malays, see it as a device for limiting the scope for the Chinese in Brunei, despite the urgent need for their skills.

Brunei Shell, the jointly-owned company responsible for exploiting the country's oil reserves and the country's second-largest employer, has expressed concern at the rate at which qualified Chinese are leaving because of their failure to be granted citizenship.

How precisely attuned the Sultan is to such concerns is questionable, although in such a small, closely-knit society secrets are not easily hidden.

The quality of the advice and who tenders it are obviously

Continued on page 4

THE COUNTRY

Brunei Darussalam is in North West Borneo and borders onto Sarawak. It has a population of around 226,500. Malays make up around 155,500, the Chinese 41,500 and indigenous peoples some 11,500. There is a large foreign community working in Brunei, which is drawn from all over the world.

The Sultanate of Brunei Darussalam is a Malay Muslim monarchy which rose to prominence during the 14th to the 16th Centuries. Brunei Darussalam is guided today by the same dynasty - one of the world's oldest ruling families. His Majesty Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah. The Sultan and Yang Di-Pertuan is the 29th ruler and has been on the throne since 1967.

Today, Brunei has a cabinet style government, made up of eleven ministries headed by His Majesty, The Sultan and Yang Di-Pertuan as Prime Minister.



MANAGING ITS ECONOMY

The Government believes in sound monetary and fiscal policies based on a secure balance of trade and substantial foreign exchange reserves and investments. It has a balanced budget and no national debt.

There is no personal taxation and company taxation is at 30 per cent. Brunei has a double taxation agreement with the United Kingdom. The national currency - the Brunei dollar - is at parity with the Singapore dollar.

The Brunei Investment Agency manages one of the world's largest investment portfolios with holdings in several major economies. The BIA has an office in London and is managed from its headquarters at the Brunei Ministry of Finance.

NATIONAL DEVELOPMENT PLAN

Brunei's national development plan covers the period 1986-1990 and aims to diversify the economy with planned total expenditure of B\$16.2 billion. It

WHAT YOU SHOULD KNOW ABOUT BRUNEI DARUSSALAM

INTERNATIONAL STATUS

Brunei Darussalam resumed its full independence in 1984. Soon afterwards it joined the Association of South East Asian Nations - ASEAN. Brunei is committed to play its part to ensure that ASEAN remains a viable and effective association.

The Sultanate remains a member of the Commonwealth and values highly its links with the United Kingdom and other Commonwealth members.

Today, the Sultanate is a member of the United Nations, The Organisation of Islamic Conference and many other international bodies. In addition, Brunei maintains diplomatic relations with some 42 other states.

ACHIEVEMENTS SINCE INDEPENDENCE

Following resumption of full independence in 1984, Brunei's record of achievements encompasses impressive economic development, sustained social progress and a major effort to diversify the country's economy away from over dependence on oil and gas.

Brunei's economy has one of the highest per capita incomes in the world. The government is determined to ensure that the country enjoys a well balanced development. Civil aviation, communications, housing, education and social welfare are all priority areas in which good progress has been made.

places emphasis on building up industry in non-energy sectors, fostering private enterprise and developing job skills among the local workforce. Brunei's Ministry of Development is able to offer a whole variety of advice and aid packages for schemes that accord with the plan.

For a copy of 'Brunei Darussalam - In Profile', due to be published in October, please complete and post the coupon below to The High Commission of Negara Brunei Darussalam, 49, Cromwell Road, London, SW7 2ED.

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BRUNEI 2

Foreign policy is geared to winning full international status

Rising profile in Asean

COUNTRIES the size of Brunei tend to have limited foreign policy options and by the time it took responsibility for its own external affairs in 1965 the fundamental choices had already been made.

year, and with more planned, continues to place considerable strain on its Foreign Ministry personnel.

In turn, it is argued, the process will contribute to Asean's wider cohesiveness and thus assist Brunei's ambition to see the organisation substantially increase its level of economic co-operation.

assist in the development of countries such as Indonesia could be considerable.

Brunei fashion it is not one which the authorities in Bandar Seri Begawan wish to make too much public fuss about.

reached the printed page they quickly became the subject of legal proceedings and political controversy in Kuala Lumpur.

and the Soviet Union in the region may not be entirely disadvantageous.

tion, and other small producing states in the region recognise the similarities in the issues it shares with some of these nations and the importance of harnessing Islam as a moderating force.

WHEN Mr M.S.H. MacArthur arrived in Brunei in 1935 as the first British resident to be appointed under the treaty signed with London earlier that year, he discovered a dismal financial situation.

royal family's personal wealth. In strictly financial terms therefore, Brunei's economy has successfully diversified away from oil as its principal foreign exchange earner.

more marked with the advent of oil wealth. Officially, Brunei has an industrialisation policy which is geared to the promotion of import substitution and towards export-oriented industries.

of these industries will create further price distortions.

venture agreement has been signed to establish a paints factory, but beyond this the outlook is still hazy.

The International Bank of Brunei, formed in 1985 as the Island Development Bank and now the only bank in the country with a majority local ownership, has little option but to accept the task of demonstrating the soundness of banking practices.

financial centre. And because of the very limited opportunities in the domestic market, it will eventually have to become far more outward-looking.

There could, for example, be some scope in tourism aimed at holidaymakers seeking an individually-tailored package, or business travellers who require a couple of relaxing days.

THE ECONOMY

Reduced dependence on oil



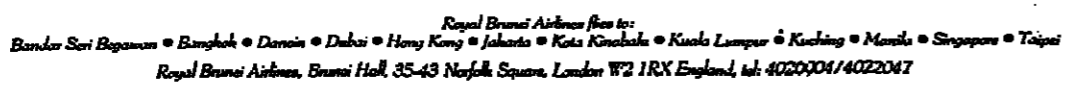
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Brunei Address : Plaza QAF, Gadong Tutong Link Road, P. O. Box 85, Seri Kompleks Bandar Seri Begawan, Negara Brunei Darussalam. Tel: 51790, 51632 Tlx: BU 2282 SABRU Fax: 51630

POLITICS

Long wait for elections

THE RIGHT of a government to arrest and indefinitely detain citizens without any form of legal process under the terms of an Internal Security Act is one of the least happy legacies left by the British in Malaysia, Singapore and Brunei.

which caused some surprise at the time and no little speculation about the reasons why they had been permitted.

members. The Sultan said that the departing party leader had praised his leadership.

men were former student activists who in the latter part of last year and earlier this year returned to Brunei from exile.

Advertisement for QAF HOLDINGS BERHAD. Includes logo with Arabic calligraphy, Brunei Address: Plaza QAF, Gadong Tutong Link Road, P. O. Box 85, Seri Kompleks Bandar Seri Begawan, Negara Brunei Darussalam. Tel: 51790, 51632 Tlx: BU 2282 SABRU Fax: 51630. Singapore Address: 510, Thomson Road, 08-02, Block A SIF Complex, Singapore 1129. Tel: 2587888 Tlx: RS 25605 RAYA Fax: 2584093. Text: "BRUNEI'S LEADING AND DIVERSIFIED GROUP OF COMPANIES"

BRUNEI 3

Roger Matthews talks to the country's head of state

In the Sultan's presence

"At an audience with the Sultan, or one of his wazirs (principal ministers), considerable ceremony is observed. Whatever the time of day, a thick beeswax candle, about three feet long, is lighted and placed on the floor alongside the European visitor, if he is a person of any rank..."

SO WROTE William Hood Treacher, an official of the Chartered British North Borneo Company, who was a regular visitor to Brunei towards the end of the last century.

Even though European representatives of the media would be unlikely to qualify for the title "person of any rank", it is fair to assume that this particular tradition in

the 500-year history of the Bolkiah family has been abandoned.

Protocol in the presence of the 29th direct successor of the line, Sultan Haji Hassanal Bolkiah, is observed by the visitor: the removal of shoes; the courtly bow; the touching, rather than grasping, of his hand; and the subsequent care to avoid crossing one's legs.

In the baroque, gilded splendour of some state rooms; in the Istana Nurul Inam (the royal palace), such formality may seem appropriate. In the Sultan's office, where high technology has been wedded to a decor beyond the scope of most interior designers, it is more a reminder of the national esteem in which he is held.

The Sultan looks younger

than his years. A few days after celebrating his 42nd birthday, and dressed in a navy blue safari suit, only his moustache shows the first signs of grey.

No signs of the indulgences which can tempt men of immense wealth are visible, and he talks enthusiastically of his sporting life, where polo has now had to give way increasingly to badminton and squash.

To play first-class polo, he says, it was necessary to devote more time to the game than he was able. He had been forced to find other ways of keeping fit, so that he could continue to fly aircraft.

The days when foreigners seeking royal patronage in Brunei felt it necessary to know about, if not actually

play, polo, are therefore numbered. The conventionally named Mallet Bar at the best hotel in town, where social and financial gossip flourishes, should perhaps think of changing its name.

It is an indication of modern monarchy that, although a devout Muslim, the Sultan is not an absolutist. The sale of alcohol is limited, not banned, despite some mutterings by the religious establishment.

Under the Sultan's rule, Brunei is a relatively tolerant country in which, he says, there is nothing wrong in accepting the value of Western ways "which are not discordant to our way of life." Both as head of state and as the father of nine children,

he is concerned to keep out of Brunei what he describes as "certain Western patterns of behaviour."

The Sultan refers particularly to "the curse of narcotic drugs which seems to be infecting not only youth but other strata of society."

As in Singapore and Malaysia, convicted drug traffickers in Brunei face the death penalty.

It is not difficult to accept the Sultan's assertion that his public image abroad has been strongly coloured by the personal contacts he developed in the pursuit of his business affairs.

These include men such as Adnan Khashoggi, the Saudi Arabian entrepreneur; Khoo Teck Puat, the Malaysian financier, for whom an arrest warrant has been issued in connection with the fraud at the National Bank of Brunei; Mohammed Al-Fayed, who won the takeover battle for the House of Fraser; and Shri Chandra Swamiji Mahara, a self-styled spiritual adviser,

who has made extravagant claims about the influence he has exercised over many prominent, wealthy people.

Those days, the Sultan indicates, are now over, and in future he will conduct his business through established professional advisers.

His foray into the more colourful side of international finance appears to have coincided with the declining years of his father, Sultan Haji Omar Ali Saifuddin, who caused a sensation when he abdicated in favour of his son in 1968 but continued to exert a strong influence on the young monarch's development.

It is a debt to which the present Sultan constantly refers in conversation. "My father was the architect of modern Brunei, and he showed the way to create a modern state."

"He did much to shape my approach to life, particularly the duties and responsibilities that fall upon the shoulders of a sovereign monarch."

Brunei's history and geographical location provide considerable security for the future. In an audience given to Roger Matthews, the Sultan explains his views and policies.

RM: What is the main thrust of the country's economic development?

The Sultan: Part of the infrastructure is already in place but we still have much to do under the Fifth Plan where total expenditure will be B\$6.2bn.

For development some B\$3.7bn has been allocated; 20 per cent going to social services, housing programmes and educational purposes; 20 per cent to transport and communications; 10 per cent to industry and commerce of which 5 per cent has been allocated for industrial promotion; and 10 per cent each for public buildings and security.

There has been a reduction in revenues from petroleum products as a result of lower prices and the planned conservation policy. But the fall in oil prices has not affected our development plans. On the contrary, it has increased our determination to diversify and strengthen the economy.

We have no external debt and there has been no need to borrow. There is a sound balance of trade and Brunei has large foreign exchange reserves and investments.

RM: How do you see the role of monarchy and the future political development of the country?

The Sultan: Brunei Darussalam is a sovereign, independent, democratic, Malay, Muslim monarchy. Brunei has been a monarchy since the beginning of the 15th century, some 500 years, and I am the 29th ruler. I hope that, with the Will of Allah, Brunei Darussalam will always be a Malay monarchy.

When you speak of the political structure I envisage for my people, I presume you are referring to the development of representative institutions.

My late father, Sultan Haji Omar Ali Saifuddin, gave Brunei a constitution in 1959. There were elections to the legislative council and district councils in 1962.

In a small closely-knit community the decisions proved to be extremely divisive. The Partai Rakyat Brunei (PRB) won the elections and almost immediately its leader, who was not a Brunei subject, launched an armed rebellion, fomented by foreigners.

My father called on Britain to meet its treaty obligations and with the aid of British forces the rebellion was swiftly put down, but not without some bloodshed and damage to property.

The PRB was banned and the legislature suspended. The rebellion left a legacy of pain and bitterness which lingered for a long time.

My father resolved to do two things: to proceed with pro-

gressive development towards more liberal institutions, and to raise Brunei's own armed forces.

A small country like Brunei, in a region entering a new era of great political change, simply could not afford internal conflict. It needed peace and stability to employ the revenue from its newly-found offshore oil for the development of social services and public utilities for its people.

After 1962, some steps were taken to reconstitute the legislature, but there was no great interest in politics. However, after the resumption of full independence, new political parties were registered under the Societies Act.

RM: What future is there for political parties?

The Sultan: I do not believe that the time is ripe for elections and a revival of the legislature. What I would wish to see first is real evidence of an interest in politics by a responsible majority of the people.

The claims of some members of political parties to be representative are simply not borne out by the facts.

The Brunei National Democratic Party (BNDP) was de-

registered recently because it

had connections with a foreign organisation, the Pacific Democratic Union, without the permission of the Registrar of Societies. It was then deemed necessary to detain under the Internal Security Act the BNDP chairman and secretary-general to prevent them from acting against the security of Brunei Darussalam.

Some members of the BNDP claimed it had 4,000 members, but the registrar's records showed that there were only 245 registered members.

The Brunei National Solidarity Party (BNSP) permanent secretary recently told the press that it was useless to continue with only 60 members. Without support the party was meaningless.

RM: How do you regard the structure of government?

The Sultan: On the resumption of independence in 1984 we introduced a Council of Cabinet Ministers with myself as Prime Minister, Minister of Finance and Minister for Home Affairs. Members of the Royal Family held the portfolios of Defence, Foreign Affairs, and Culture, Youth and Sport cum Deputy Finance Minister.

Other ministries were

headed by senior, able and experienced civil servants and technocrats with special skills.

The Council of Cabinet Ministers was reshuffled in 1985, when I retained the premiership and took over the Ministry of Defence, relinquishing the ministries of Finance and Home Affairs.

Deputies were appointed to each ministry and there has been a major reorganisation of the civil service at top levels.

The Council of Cabinet Ministers, which together with other councils advises the ruler, is working well.

When I am convinced that there is a genuine interest in politics by a responsible majority of the people, it will be the time to consider what should be the next stage of political development.

The role of the Brunei monarchy is to give leadership to the people. I cannot yet forecast when the time will be right for the people to share more actively in government.

RM: What is your reaction to reports about your financial activities?

The Sultan: There has been a good deal of highly imaginative and inaccurate writing

about my activities in certain sections of the press in the UK and in other countries.

Regarding financial matters, in the past I have relied too much on personal contacts to develop my business interests. My association with some of these individuals, who tend to attract their own publicity, I believe has been the principal cause of the many false reports about me in the media.

With hindsight, I realise now that on complex financial deals it would be better for me to negotiate any future business interests through established professional advisers who can give independent advice on these matters.

I have already stated that no funds of mine were involved in the takeover of Harrods.

Regarding funds for the Contras, I issued a statement in December 1986 that I had made a personal donation to the United States to be used for humanitarian purposes in Central America. I had assumed that it had been so applied. Once the money had been paid it was beyond my control.

As you must know from lengthy press reports, the money I had donated was

INTERVIEW

Time 'not ripe' for elections

found in a Swiss bank account and I ordered the money to be returned.

RM: What are the main themes of your foreign policy?

The Sultan: Brunei has excellent relations with its friends and neighbours in Asean and with members of the Commonwealth. A Bruneian is secretary-general of Asean.

Brunei has a treaty of friendship and co-operation with the UK with whom we have the most cordial relations, as indeed we do with many other countries including those in the Arab world.

Many of our students go to study at British universities and technical institutions and we have British teachers working in our schools.

RM: What is your view of the American military presence in the region?

The Sultan: We have cordial relations with the US and I believe that the American presence in South-East Asia has been a counterbalance to what has been a growing Soviet presence in the region and East Asia.

The American presence has helped to preserve stability of the region since the end of the war in Vietnam.

RM: How important are relations with other Islamic countries?

King of Jordan and the Sultan of Oman as we were all officer cadets at the Royal Military College at Sandhurst, although not, of course, at the same time.

RM: What are your ambitions for Brunei?

The Sultan: In the 12 years before the turn of the century, it is my hope and prayer that with Allah's Blessing we shall have been able to complete our plans for every Bruneian to own a house, with all modern conveniences - electricity, piped water and sewerage even in the remotest villages.

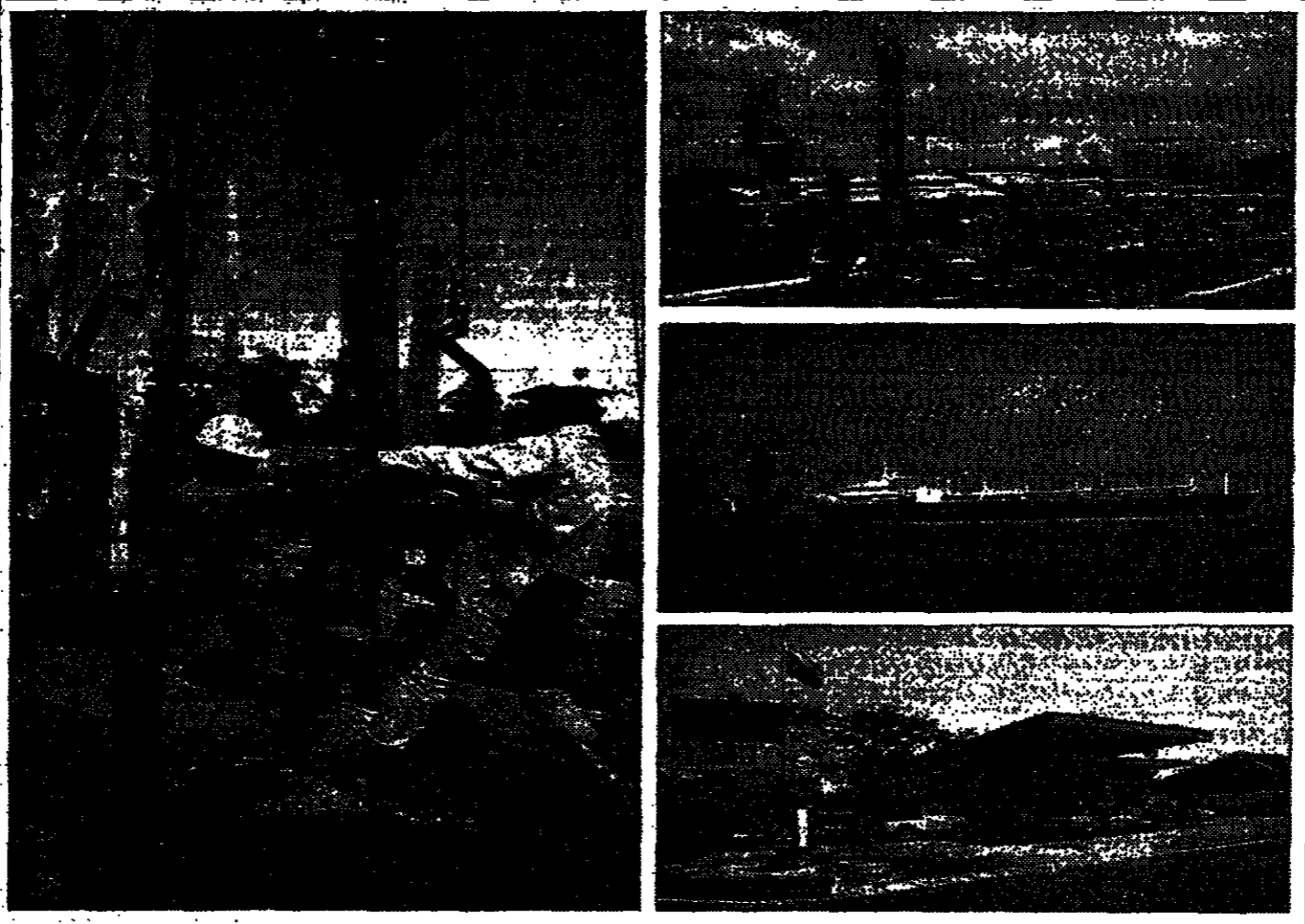
To continue providing free educational, medical and health services and expand communications.

To develop agriculture with modern methods to provide a major portion of our basic food - rice, meat and fish - which we now import.

To have trained in Brunei, and abroad where necessary, enough of our young people to occupy the highest administrative and technical posts in our oil and gas industries.

To have developed enough qualified Bruneians to play a major role in implementing the diversification programme outlined in the Fifth Plan.

And to ensure, above all, that we retain the essentially Malay and Islamic character of Brunei. Preserving the best of our traditions and customs while accepting what is best from the West and discarding what is discordant with the way of life of our people.



Nearly 90 years have passed since the oil and gas industry began in Brunei Darussalam. 1899 was the year to be exact - when the first well at Ayer Berkunci was spudded in. In the year that followed a small band of oilmen carried on the search for hydrocarbons throughout Brunei Darussalam. Then in 1929 came that sought-after moment, the discovery of the Seria oilfield. From those humble beginnings, Brunei Darussalam's oil and gas industry has grown to become a major exploration and production operation with downstream activities. Brunei Shell takes pride in its past achievements and is confident of the future of the oil and gas industry in Brunei Darussalam.



BRUNEI SHELL GROUP OF COMPANIES

BRUNEI 4

Oil production is expected to stay on the present plateau
Opec's objectives shared

ONE OF THE least tactful things a visitor to Brunei Shell's headquarters in Seria can do is refer to the company as simply "Shell." It is most emphatically Brunei Shell, a jointly-owned company in which Brunei citizens are being actively urged by company and government alike to play a larger role.

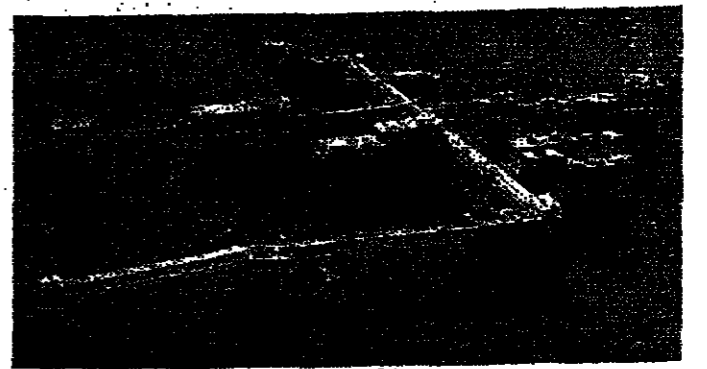
basic issues as production and pricing policy, exploration, concessions and, as Abdul Kani puts it: "To know what's going on around the world." Brunei's present production level of 150,000 barrels of oil a day, together with exports of 5.1m tonnes of liquefied natural gas a year, makes it a small player on the international stage.

Mr George Innes, managing director of Brunei Shell, while acknowledging the need for the present policy, says it could also be constrained. However, the only circumstance he can think of when the company might ask for a policy review is if substantial new discoveries were made.

bring 50 graduates a year into the industry, Mr Innes says. Conversations with government and Brunei Shell employees reveal just how closely they monitor the relative benefits that are on offer, especially for housing and car loans. Brunei Shell therefore has little option but to be a generous employer.

holdings and Brunei the remaining 50 per cent. Oil is sold mostly on term contracts on the basis of monthly retroactive pricing with the bulk of supplies going to Japan, Korea, Taiwan and the other members of Asean. Last year, some 20 per cent was sold on the spot market but this diminished with the signing of the first term contract for Brunei Light.

areas in the Jerudong and Belait areas. This included a well on the site of discoveries first made in 1929. Although oil was not discovered in commercial quantities, the traces found were sufficient to make the area interesting.



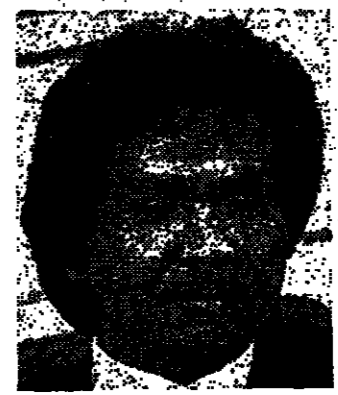
The Champion 7 production platform in Brunei Bay. The country's oil is sold mostly on term contracts

4,000-5,000 feet, he says, while offshore they are in the range of 10,000-12,000 feet.

ever, government officials are optimistic that with a sizeable proportion of the land area still not properly evaluated, and 25 per cent of its offshore area also to be assessed, there must be reasonable prospects of further discoveries.

PROFILE: ROYAL BRUNEI AIRLINES
London route sought

ROYAL Brunei Airlines has ambitions far beyond the size of the country or population which it serves. Equipped with three new Boeing 737s purchased in 1986, in addition to the 737s it also operates, Royal Brunei is steadily expanding its routes in Asia and is now actively looking for its first scheduled flights to a European destination.



Pengiran Tengah: buying wide-bodied aircraft

forging a link with another airline and Pengiran Tengah says he welcomes the idea of a consortium. "To join forces with a European airline would be particularly attractive," he says, but there seem few likely candidates.

The Brunei government has a 10 per cent stake in Malaysian Airlines System and Pengiran Tengah sits on the airline's board. He believes it has been a prudent investment and last year earned a useful dividend.

Other ideas which are slowly being explored include seeking to offer Brunei as a minor regional hub as other airports, such as those at Singapore, Bangkok and Hong Kong become more congested. Brunei has the attraction of being under-used and it has the longest runway in the region, designed initially to accommodate Concorde.

Using the 737 on long-haul flights would also work against the image that Royal Brunei is trying to promote of an airline that offers more passenger space and better service than its competitors.

"We are aiming to make our First Class better than that of Singapore Airlines," says Pengiran Tengah. "It is for that reason we are also against the idea of leasing aircraft rather than purchasing them. We want to maintain our distinctive corporate image."

Royal Brunei also intends to follow the example of Singapore Airlines by constantly modernising its fleet and is already planning to phase out its 737s (one has just been sold) and to replace them with 757s and wide-bodied aircraft.

Other airlines in the market for secondhand aircraft would do well to keep their eyes on Royal Brunei as the 737s are operating on average for only seven to eight hours a day and the 757s about five hours, extremely low by international standards.

Pengiran Tengah is seeking to persuade the Philippines, Malaysia and Indonesia to agree to the use of the 737s on the flights into Manila, Kuala Lumpur and Jakarta which are currently served only by the 737s.

He also hopes that Australia will lift the restriction on Royal Brunei's flights into Darwin under which the 737 can carry only 100 passengers instead of its capacity of 148.

There would also be obvious attractions for Royal Brunei in

Should a new air force base be built to accommodate the Brunei Air Force's first venture into fixed-wing aircraft, this would further reduce movements at the airport.

Royal Brunei does not plan at the moment to buy freight-only aircraft but hopes it can develop its present capacity which is employed mainly for carrying imported goods.

It is also investing in technical training, carrying out all but the major servicing on its 737s, and is already in a position to offer some specialised services to other airlines.

However, Royal Brunei's management is under few illusions about the uphill task they face in the harshly competitive climate of international air transport, in which the major airlines exercise such a dominant influence.

But with the huge growth in passenger demand forecast for the remainder of the century, particularly in the Asia-Pacific region, it needs only to pick up the tiniest percentage of that expansion to have a promising future.

Brunei's substantial reserves may be put into merchant banking
Financial role being reviewed

AN INTERVIEW with Dato Haji Abdul Rahman, Permanent Secretary at the Ministry of Finance and managing director of the Brunei Investment Agency, is much sought after although not necessarily highly illuminating.

have totalled about \$18bn, according to the relatively few published government statistics. Investment income is not counted as part of government revenues.

the personal wealth of the Sultan and his family. And to reinforce the point he taps a weighty auditor's report from Peat Marwick but again without providing any insight into its contents.

course the ability to perform well, but of almost equal importance was their confidentiality and maintenance of a consistently low profile.

attribute as a nation is our financial power. What Citibank does for the world we might be able to do for the region," he says.

Brunei plays its financial cards extremely close to its chest, but at least now gives the impression of thinking longer term about the role its substantial reserves should play in the overall development of the country.

The \$18bn figure therefore proves some starting point for speculation about the total sum managed by the BIA. Bankers estimate that it is at least \$20bn or could run to \$25bn, but is unlikely to be significantly higher. All Dato Haji Abdul Rahman will say is that the amount is "huge."

The agency manages on a day-to-day basis 95 per cent of those funds, according to Abdul Rahman, the remainder being divided between eight foreign institutions which he declines to name in order "not to give them a lot of free publicity."

It is unlikely, he believes, that the BIA would seek to take under its wing a greater percentage of its total funds because of the strain on personnel in Brunei in maintaining round-the-clock availability.

The type of risk the BIA might consider would be sovereign borrowers, those with triple-A ratings, and some institutions. Abdul Rahman thinks that there would be no shortage of borrowers and Brunei is developing the communications and legal infrastructure to make such a role possible.

Since 1976 Brunei's accumulated annual budget surpluses

He also insists that the BIA funds are quite separate from

The qualities demanded of these institutions were of

Funds, he says, are divided between cash, bonds, equities, gold and real estate, the proportions varying according to the assessment of market trends. The BIA's property interests are primarily in London and New York, but do not include the Dorchester Hotel which is the Sultan's personal acquisition.

He does not anticipate that a separate organisation would be established to undertake the merchant banking role but rather that the BIA would evolve in that direction.

Abdul Rahman describes the agency's recent performance in managing its funds as "excellent" and claims it did significantly better last year than the foreign institutions, in part because it anticipated last October's collapse of the equities markets, but also because its operating costs were lower.

He rejects suggestions that the BIA might eventually develop more along the lines of the Kuwait Investment Office by taking large equity stakes in major European companies or acquiring companies related to the oil industry.

The KIO's approach, he says, is too aggressive for Brunei to emulate and runs the risk of being politically unacceptable to the host country involved. In addition, it would require a physical presence abroad in order to manage the investment.

However, his wish to keep a low profile and his instinct for secrecy are deeply ingrained and these could yet prove to be the most powerful single influence on the investment agency's future.

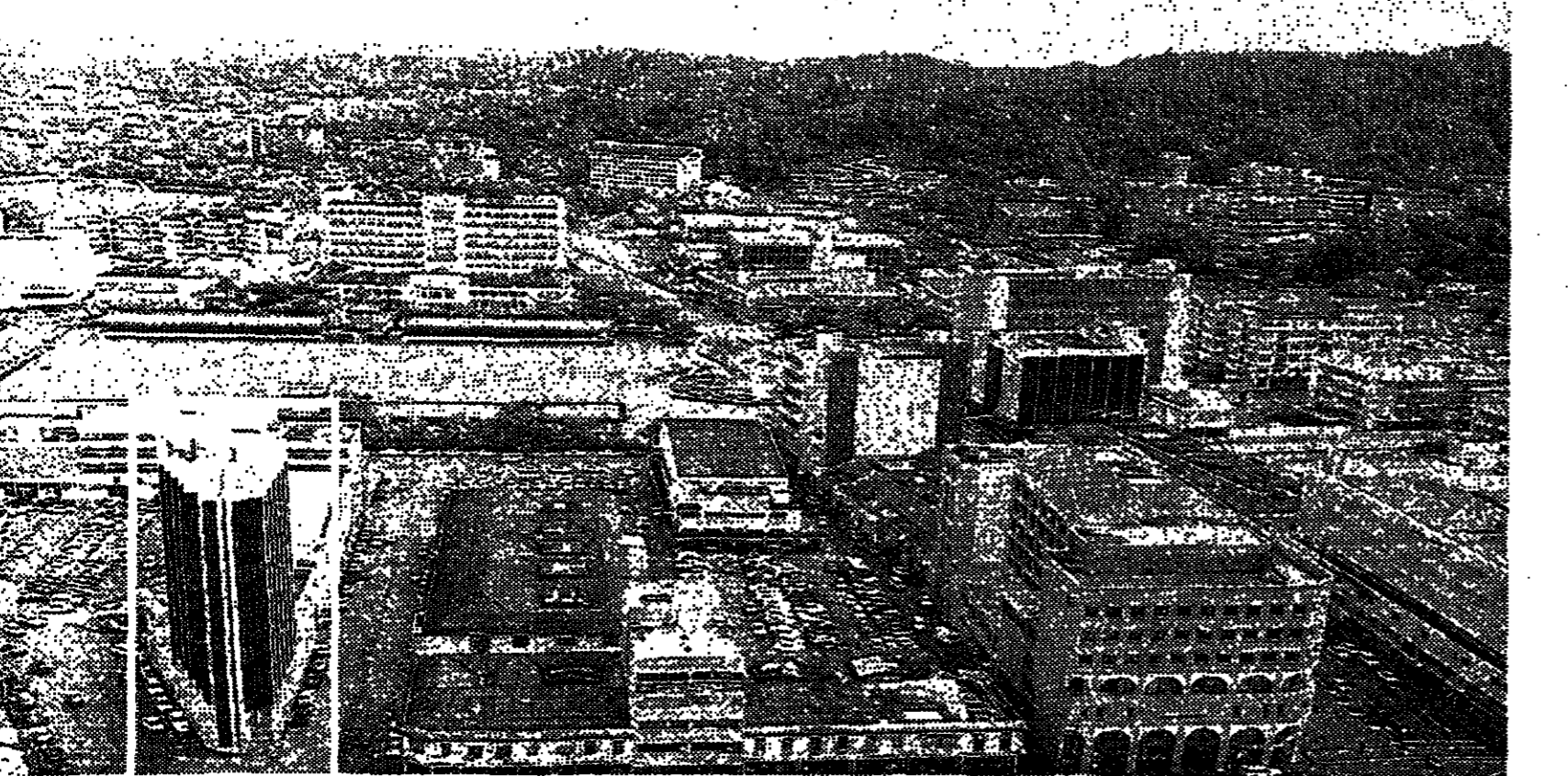
Instead Brunei is thinking more of becoming what Abdul Rahman describes as a merchant bank to the South East Asian region. "Our greatest

Our greatest

Our greatest

Our greatest

WE KNOW BRUNEI BEST



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A gentle pace

Continued from Page 1
crucial since no formal method of consultation exists and the Sultan rarely makes speeches. Officials claim that he keeps in touch through regular visits to different parts of the country, and by making unannounced appearances at different mosques for Friday prayers.

underpinned as it is by the soporific impact of new wealth. However there is a growing political awareness and an increasing interest among better-educated Bruneians about the future direction of the country.

As one Bruneian puts it: "We used to be satisfied with very little. Now we want more. "Worse than that, we expect to be given more. And because of that we are learning the meaning of envy."

So far, at least, the centuries-old monarchical tradition seems to be unchallenged,

He has found it necessary to warn against the dangers of Islamic extremism, an indication of the stresses which can be created by unbalanced consumerism in a traditional Moslem society.

for the moment at least, the sky for Brunei probably is as cloudless as the one in which the ruler has just been piloting his private Boeing 737.

THE FIRST THING YOU NEED TO KNOW ABOUT BRUNEI
The people of Brunei refer to their country these days as Brunei Darussalam (Abode of Peace). It may seem a small point, but it is something visitors should know.
The front desk staff at the Sheraton Uluamu Hotel can give you ideas on local customs, cultural and religious differences which will make contact with the people of Brunei Darussalam altogether more congenial.
This is not the only reason you'll want to stay with Sheraton, of course, but it is typical of our attention to detail. We know that the difference between an average hotel and a very good hotel is often just a lot of little things.
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Bryant Construction Invest in Quality Solihull Bracknell

Mixed batch for Tarmac

Contracts worth about £13m have been awarded to TARMAC CONSTRUCTION. One of the largest, at £5.3m, is for building a factory, office block and associated external works at Rugby, for Continental Can Company (U.K.).

£90m orders for AMEC

Construction group AMEC has won orders totalling £90m. Fairclough Building is to build two eight-floor office blocks in the City of London, and carry out a major extension to Whitgift School in Croydon.

company has worked continuously for the last fourteen years. It is likely to necessitate the recruitment of a least 50 technical and administration staff plus an as yet unspecified number of trades people.

The work will be disciplined by extremely stringent quality specifications, with all welds, totalling over 165,000 weld inches, being non-destructively tested for defects.

City of London project



HIGGS and HILL MANAGEMENT CONTRACTING has started work on a £4.2m six-storey office block to be built at 60-66 Old Street, London EC1 for Palmerston Property Developments.

Swindon computer centre

ALFRED McALPINE MANAGEMENT has won four contracts totalling more than £17m. The company has been appointed designer for a £10m computer centre at Swindon for the Department of Health and Social Security.

£5.75m, the project is due for completion by April 1989. Work is due to start on extensions to the TV Centre, West London, for the BBC in a £750,000 contract, to be completed by October.

Alfred McAlpine Construction has been awarded six orders totalling more than £5.5m. They include a contract for a two-storey reinforced concrete structure to the first passenger satellite building at Stansted Airport, value £2.4m; and further work at the Stanlow Refinery for Shell UK, including construction of piled foundations for a pipebridge within existing pipetracks, value £1m.

Offices for Slough

WILTSHIER SOUTH MIDLANDS, a division of the John E Wiltshier Group, has started work on two contracts worth a total of £3.2m. At 281/296 Farman Road, Slough, the company has a £2.2m contract to build an office development, for sister company Wiltshier Estates & Developments. The development will provide small, self contained office units for sale to local businesses.

DIARY DATES

Trade Fairs and Exhibitions: UK

- August 7-10 Furniture Show (01-724 0851) G-Mex Centre, Manchester
August 12-13 Cash and Carry Fashion Fair (01-777 1923) Kensington Town Hall
August 14-15 Gifts Fair (0895 272010) Hove Town Hall

Overseas Exhibitions

- August 16-18 Fashion Week (01-887 8050) Tel-Aviv
August 22-24 Nordic Fashion Fair (01-486 1951) Helsinki
August 25-28 Office Equipment, Technology and Computer Systems Exhibition (0494 728400) Singapore

Business and management conferences

- August 1-5 Management Centre Europe: The fundamentals of finance and accounting for non-financial managers (Brussels 322 516191) Brussels
August 8-11 15th International Small Business Congress (Helsinki 358 0 148833) Helsinki
August 30-31 and September 1 Financial Times Conferences: Commercial aviation to the end of the century - Expansion in an era of accelerating change (01-925 2223) London

FINANCIAL DIARY

- COMPANY MEETINGS: Cap Ind. Inv. Ldn. Utd. 12.00, 12.00
Tat. Hldg., Great Eastern Hotel, Liverpool Street, E.C. 1, 12.00
Vaterplass, Most House Ind. Hotel, Harrogate, 1.00

- Westpool Inv. Tel. Spc Deb 1985/90 2.5pc Do. 8.4pc Deb 1985/90 2.5pc
Widfield & Co., 4.5pc PI 1.57pc Do. 2.8pc PI 1.49
Whitbread Inv. 5.5pc Deb 1987/92

- Starling Publishing, 24, Upper Brook Street, W. 1, 13.00
Triplex, Lloyd, Birmingham Metropole Hotel, National Exhibition Centre, Birmingham, 12.00

Unit Trust Year Book 1988

The explosion in activity in the unit trust market means that the investor now faces a choice of more than 1,200 authorised trusts offered by more than 160 management groups. The Unit Trust Year Book 1988, extensively revised and updated, simplifies this daunting task.

Investment Bond Year Book 1988

Designed as a companion to the successful Unit Trust Year Book, the Investment Bond Year Book fills a major gap in the published information available on investment bonds and the linked insurance funds.

Private Investor's Ledger 1988-89

The ledger enables the private investor to keep a total record of all his investments in one place. Making entries and calculations becomes easy and convenient. Purpose-designed sections enable you to record in a professional way your fixed interest stocks, shares, overseas investments, monthly valuations, Building Society and bank deposits, National Savings and all other investments and insurance policies.

The 1988 Investor's Companion to the Top 100 Companies

This is the first and only comprehensive guide to the components of the FT-SE 100 Share Index. The Investor's Companion explains how each company works, provides a perceptive appraisal of their performance, and analyses each company's operations and business position.

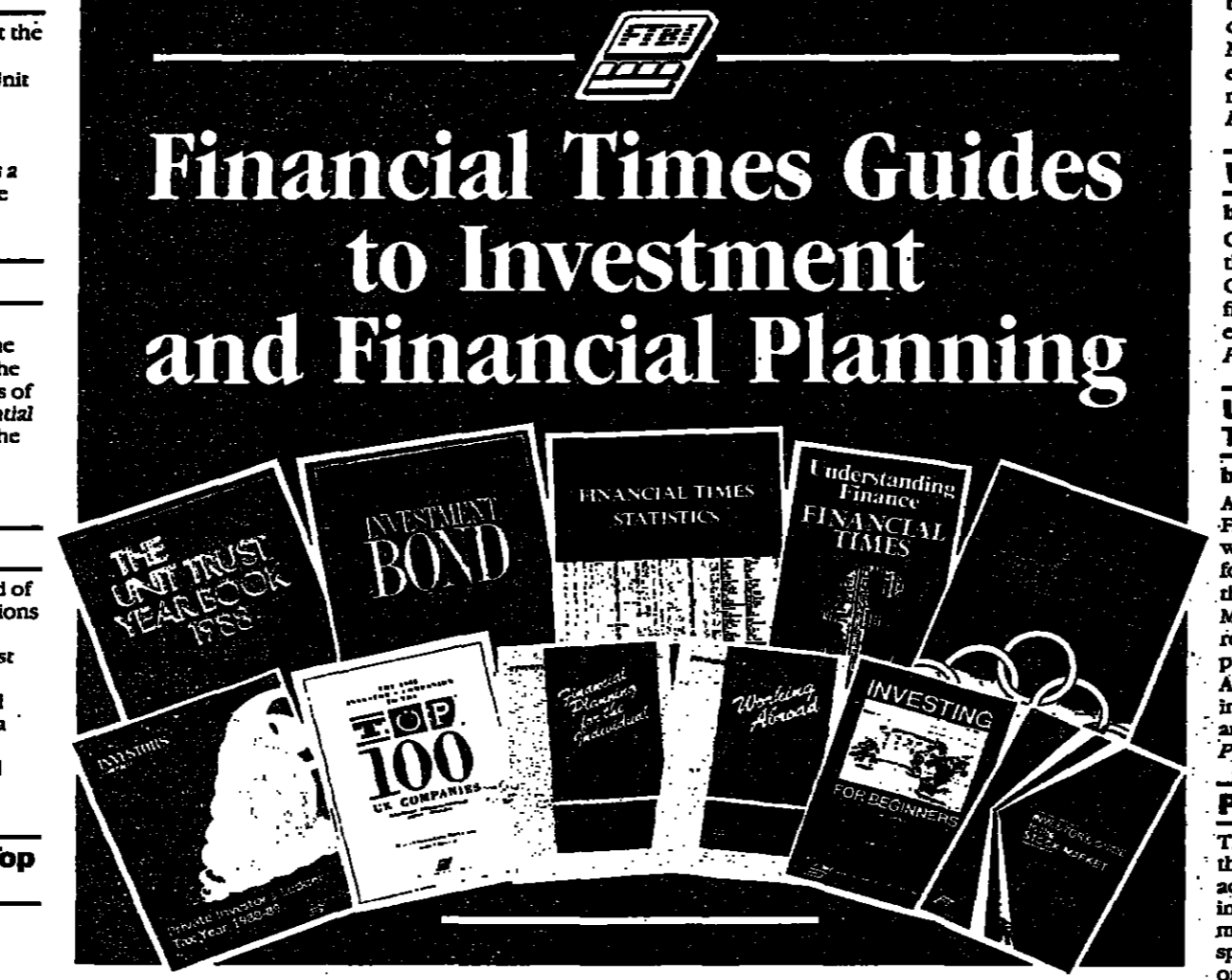
Financial Planning for the Individual

by Alan Kelly, Partner, Grant Thornton (2nd Edition) This guide provides you with essential information on investment planning, unit trusts and investment bonds, pension arrangements, tax planning, personal pensions, personal equity plans, a Personal Financial Planning Questionnaire and a 'Dying Wishes' Log. A 1988 Budget Addendum is included.

A Guide to Financial Times Statistics

Do you really know how to get the most out of the statistics pages of the FT? The Guide provides the answers. It gives all

Financial Times Guides to Investment and Financial Planning



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the information to make the FT work for you and enables you to benefit financially. It includes a revised chapter on commodities, and essential information on the World Stock Markets following the Crash of '87. Invaluable to both the expert and the general reader wishing to know how the market works.

Working Abroad - The Expatriate's Guide

by David Young (3rd Edition) Considerably expanded the 3rd edition of Working Abroad is the indispensable guide to living and working overseas. Offering advice on all the essential aspects—both personal and financial—of moving and working abroad, the book helps expatriates to maximise the benefits of overseas employment.

Understanding Finance with the Financial Times

by Terry Byland, FT Journalist As the title suggests, this book in conjunction with the Financial Times will help explain the workings of the financial world. Contents include: the workings of the Stock Exchange, following the Big Bang of 1986, the calculation of the FT Index, the London Share Information Service, Trading on the Stock Market, the Government Securities Market, UK company results, takeover bids, international company results and progress, the International Capital Markets, commodities and Agriculture, UK and International economic news, national and international editions. Essential for executives, new investors and students.

Public Relations Year Book 1988

The Public Relations Year Book, published in association with the Public Relations Consultants Association, gives you instant access to the best PR has to offer. It is full of relevant information on the many experienced and professional member-consultancies operating today, and their particular specialisations. Whether you are already using a PR consultancy or are considering using one, the Public Relations Year Book will help you to decide the most suitable solution for your organisation.

Investing for Beginners

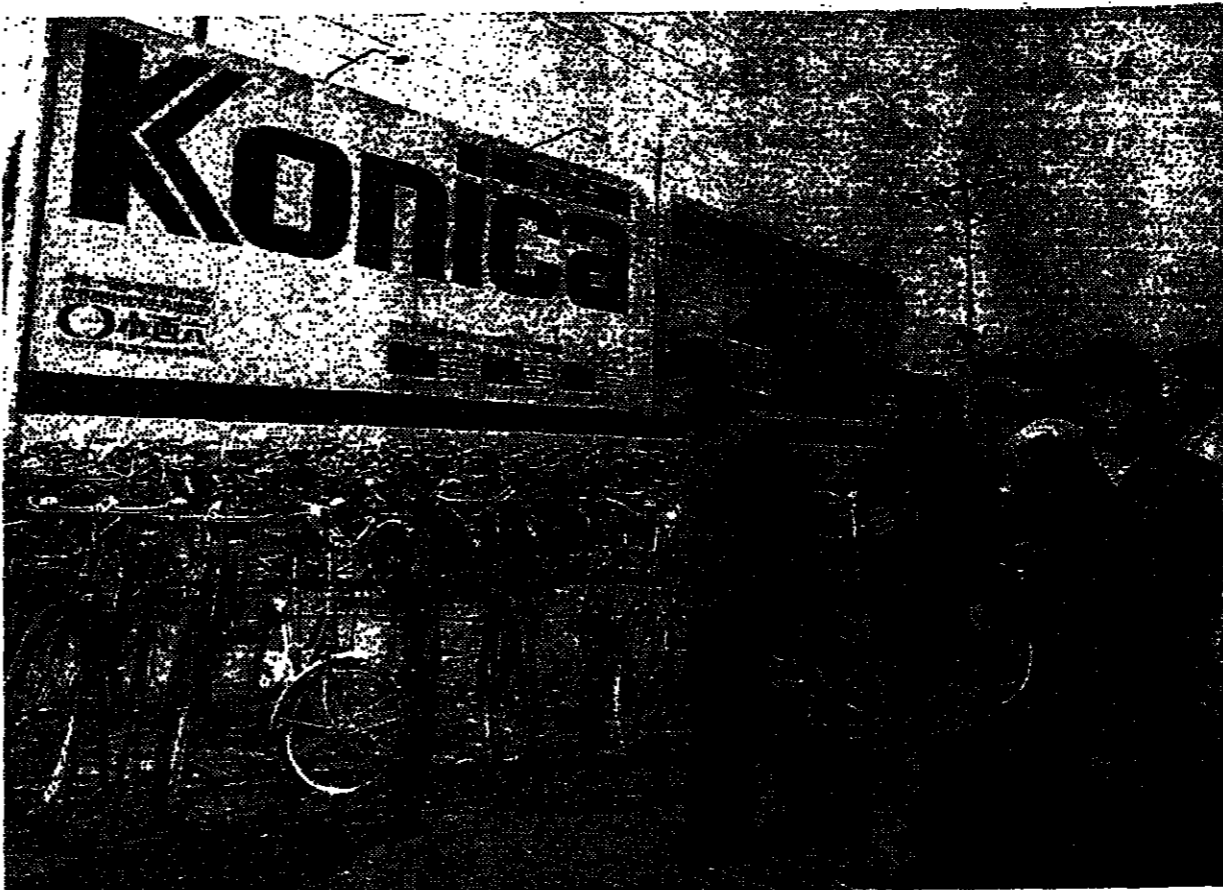
by Daniel O'Shea (3rd Edition) This investment guide analyses in a practical way the basic principles of stockmarket investment, discusses the advantages of different categories of quoted investment, examines a whole range of related essentials such as the interpretation of company accounts, and gives an up-to-date review of relevant tax rules. An ideal guide for people new to the stockmarket, as well as experts.

Investor's Guide to the Stockmarket

by Gordon Cummings (4th Edition) Completely revised and updated in the light of the 'Big Bang' this edition explains the workings of the stockmarket and how to profit from it the D-I-Y way. It gives advice on how to set up and manage an investment portfolio, and make the best use of your capital.

Robert Thomson reflects on three years of change in China

The images of change are obvious in China: the Marlboro Man billboard greeting passengers at Shanghai railway station, the bulldozed back streets and crane-topped buildings of Peking, the peasant sitting atop an overloaded truck holding a newly purchased Japanese television set.



while protectionism in the US or the European Community could undermine the party's export-funded modernisation ambitions. Pollution poses a different kind of threat to the Chinese lifestyle and is already a serious problem in most large cities, though not serious enough for local governments to reconsider production priorities for the sake of the environment.

The Yugoslav time bomb

IT IS A sobering thought that the most vulnerable East European economies, the ones most often in need of international propping up or bailing out, are those most receptive to and ready to implement, the sort of economic liberalisation measures championed by Mr Mikhail Gorbachev.

The structural flaw, which sabotages all Yugoslav attempts to resolve economic problems, is the nature of the federal system. The eight constituent republics, which themselves Yugoslavia often demonstrate even less sense of common purpose than the 12 members of the European Community.

It is Yugoslavia, Hungary and Poland, who have flirted with economic decentralisation, market forces and a relaxation of foreign trade restrictions, that need the international rescue packages.

Unprecedented industrial unrest in Croatia and mounting political unrest in Slovenia - the two most prosperous republics, enjoying near-Austrian living standards - are symptomatic of the unwillingness of the individual republics to resolve the problems of the federation.

Once again the international financial community has come to the aid of the Yugoslavs with a draft agreement to reschedule \$7bn of its \$12.5bn debt. The agreement, reached in New York earlier this month between the Yugoslav Finance Ministry and representatives of 450 Western creditor banks, is expected to be concluded formally in September.

It is this irresponsibility that Western creditors, and now, the strongest argument for continuing support has been that non-aligned Yugoslavia was seen to have a crucial role as a buffer zone between East and West and as an independent voice in the East European socialist camp.

Weak government

However, there is no reason to believe that these efforts to ease the pressure on Yugoslavia, with its soaring inflation, crippling foreign debt, record unemployment, and mounting social and political unrest, will prove any more successful than similar efforts in the past.

Important and sometimes imperceptible changes are taking place in the minds of the masses, whose earliest faces appeared to blind seamstress in the Maoist monochrome of a decade ago. They are now developing their own thoughts without the guidance of the party and recognising common interests aside from the "common good" as defined by the leadership.

The OECD, in its recent report on the Yugoslav economy, suggested that, in the areas, it might be best if the Government left well alone. The less government interference in investment decisions, the greater the chances of moving towards a genuine market economy, to the benefit of the whole country, it said.

It may also be time for the other Yugoslav republics and provinces to begin examining the questions that the Slovenes and the Croats have been posing. Are the benefits of federation worth the heavy price that is being paid for them and what can be done, short of the politically unacceptable option of completely dismantling the Yugoslav republics and provinces to deal with the fundamental problems facing the country?

Still working on secrets

THE BRITISH Government's declared willingness to listen to counter-arguments from critics of its proposals for the reform of Section 2 of the Official Secrets Act 1911 is to be welcomed. The Minister of State at the Home Office, Mr John Patten, told the House of Commons on July 22 that "the proposed classification of every dot and comma" has been set in concrete.

The ideological idealism of the masses has been spent and recent attempts to fill the void with a "socialist club" more designed for convening disco-dance nights than meetings to discuss the latest batch of internal documents.

The major area of disquiet centres around the need for greater scrutiny of the work of the security service. Britain is unique among Western democracies for the degree of absolute secrecy that it seeks to impose on its intelligence services. The net effect is that the Home Secretary and the Prime Minister of the day are the final repositories of public trust in the proper behaviour of security personnel. This cannot be satisfactory. It is an unacceptably overriding executive power. It has not been sufficiently modified by the appointment of a staff counsel, Sir Philip Woodfield, as a court of last resort for members of the service who wish to complain of some wrongdoing.

Public interest If either category - information from foreign governments, or telephone intercepts - is to be retained, it should at the least be amended to require the prosecution to prove that serious injury to the national interest had been caused. This would be within the declared spirit of the proposed legislation, which is to restrict its ambit to areas in which harm has been done. The remaining area of major concern, a public interest defence, is the other side of the coin of proving harm. The white paper demolished such a defence. This seemed reasonable enough if it was doing so on the ground that you cannot judge a case on the basis of the motives of the offender.

Blanket coverage

In the absence of any mechanism for parliamentary scrutiny, the proposals for a new Section 2 that make it an offence for any member of the service, or any other designated person, to disclose any matter at all relating to the service (unless authorised to do so) should not be accepted in that form by either House. A second important area relates to what Mr Patten has called the blanket coverage of the criminal law on information obtained in confidence from other governments or international organisations.

The subsequent debates have made it plain that there is another, more fundamental, question of such a nature. This is that if the nature of the information disclosed is such that public benefit results, the offence should fall away. In most circumstances, including those pertaining to the secret service, there can be no inalienable obligation of confidence when it comes to the disclosure of information. If a crime or a fraud is committed, the disclosure of such a nature should be revealed. The Prime Minister recognised as much when she gave Parliament the facts about Sir Anthony Blunt, even though this might have embarrassed the service. On this central matter - that it cannot be criminally wrong to point the finger at iniquity - the jury should decide. If the Government cannot accept such an amendment, it would be better to withdraw the entire proposal.

But the party can claim the present as a victory: rapid growth, international reassessment of China's place in the world and seemingly boundless potential. Industrial output is increasing at an annual rate of 20 per cent, though inflation is not far behind. If real per capita income rises annually by around 6 per cent, the country, as planned, will catch up to the industrialised nations around the year 2050.

Between now and then, a few fundamental problems will have to be solved apart from ensuring that 1.8bn tonnes of coal is mined and transported in the year 2000 to meet energy needs. Most of those problems relate to the party's perception of its role and its ability to adapt to the changes which it set in motion but which are now forcing it to change.

The lingering and virtually unanswerable question is: will the leadership lose its nerve? Will the country be turned round or will the party seek safety in stability, and thereby, inevitably, bring on stagnation?

Nerve will be tested by the growing sectional interest groups, and by possible social unrest. Perhaps there will be large protests by disaffected workers, a prospect which prompts a review of security departments in recent weeks. Such unrest would also challenge the Confucian passion for order - "if the mat is not straight, one does not sit".

The party has recognised the need for internal reform, and is attempting to prise itself from the Government, though it has no intention of losing the last word. It has also embraced populism by commissioning opinion polls and christening complaint hotlines. It talks of the need for accountability and highlights the cases of corrupt and incompetent officials.

Unknown quantity of reform

The formidable party apparatus has been pointed towards reality since a landmark meeting in late 1978, but that does not mean it is fixed in place and that the apparatus cannot be turned around. A genuine change is that party members are more diverse. Over dinner, a young party member who edits the front page of a southern daily newspaper talked confidently and coherently of the need to encourage criticism, and argued for press reform that would separate newspapers from the party. Two days later, the editor of another southern newspaper blandly recited passages from relevant party documents and somehow managed to squeeze the "primary stage of socialism" into answers to the most personal of questions.

The latter experience gave me that old "nothing has changed" feeling, though this dissipates with a drive through rural China, where peasants have taken the phrase "jiangnan" (build a country), rather literally and are building themselves new and sometimes comfortable houses. And it dissipates in the darkened hole-in-the-wall bars where the young men have high-heeled individualism and permed hair, and the women are confident, expressive and fond of gin and tonic.

Reform's goals will need to be revised if the population control programme, which is intended to keep the number of Chinese to 1.2bn at the turn of the century, is unsuccessful,

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The Old Lady shows off

You have to wear a hard hat in the Bank of England nowadays, or at least in quite a bit of it. For the construction men are in - not just drilling holes through the walls, as they have been doing for years, to keep the Old Lady up with the electronic age. This time they are building a museum and must have it finished for the official opening by the Queen in November.

The Bank had a museum already, but it was very small, very private and did not even have a catalogue. The new one will be open to the public and may be the biggest and best central bank museum in the world. It was the joint idea of Governor Robin Leigh-Pemberton and his deputy George Blunden.

Originally, the two men thought about creating it to celebrate the Bank's 300th anniversary in 1994. Then there was the great fire two years ago and the insurance money to go with it. Although the precise sum has still to be agreed by the insurers, it must be upwards of £1m. The fire damage took place above the site proposed for the museum. It had to be repaired anyway, so it was decided to go ahead with the museum earlier than planned.

OBSERVER

The venture has revived memories of old architectural controversies. The Bank was originally designed by Sir John Soane to present an image of impregnable, when it was redesigned by Sir Herbert Baker in the 1930s, the interior was changed dramatically. Sir Nikolaus Pevsner wrote that it was the worst loss suffered by London architecture in the first half of the 20th century. English Heritage has insisted that in the museum part the Soane designs must be faithfully reconstructed.

Still, it should be fun. Sandra Lea, who has been brought in to manage the museum, talks lovingly about the Bank's three miles of corridors, 2,500 doors, 600 lofts and says that within its 84 acres it has twice as much floor space as the Nat- West tower. She also claims that the museum's facilities for the disabled, mentally and physically, will be better than anywhere else.

Mellon's move Sir James Mellon, Britain's Director-General of Trade and Investment in the US, is to exchange the life of a diplomat in New York for the task of tackling Scotland's housing estates.



He got his golden handshake today.

Scottish Homes, which is being set up by the Government to do for housing what the Scottish Development Agency has done for the Scottish economy. The intention is to make Scottish public housing a little less monolithic, allowing tenants to transfer from local authorities to other landlords, whether housing associations, co-operatives or commercial landlords, all of whom will have to be approved by the agency. Owner occupation in Scotland is only 42 per cent against 64 per cent in England.

Mellon, who has retained a Scots accent, was born in a Glasgow council house and is now buying a flat in Edinburgh. He went to Glasgow University, from which he joined the Scottish Office and later the Foreign Office. He was ambassador to Denmark before taking on his present job, which he combines with being Consul-General in New York.

His experience of the US suggests, he says, that Americans are aware that Scotland has a modern industrial economy, but still tend to think of inner-city blight. A change in the housing stock could put that right, he claims.

Ne Win loses

U Ne Win may still be in power in Burma from behind the scenes, but something has happened to his name. It means "rising sun", but only if Win is pronounced with a strong stress. If it is pronounced with a soft falling tone, it means "sunset". The soft falling tone is now in.

New Devon

John Caff will be leaving the Confederation of British Industry towards the end of the year to be the first managing director of the Devon and Cornwall Development Company.

Caff, 51, has been director of the economic section of the CBI since 1983. He was previously in the diplomatic service and the Treasury and his arrival at the CBI was regarded as an upgrading of the job. John Banham, the CBI director general, must have had something to do with the new appointment. Devon born, Cornishman by adoption, Banham rarely lets you forget that the area is a bit too cut off from the rest of the country. The Devon and Cornwall Development Company was set up largely on the initiative of English China Clays with prompting from the Prince of Wales. Its objective is to repeat the economic miracle in Brittany in the south west of England.

Professionals

Headline in a local newspaper: "Hooligans try to ruin Hamlet, but Amateurs succeed."

ISSUES OF GOVERNMENT STOCK. The Bank of England announces that Her Majesty's Treasury has created on 28th July 1988, and has issued to the Bank, additional amounts as indicated of each of the following Stock: £100 million 2 per cent INDEX-LINKED TREASURY STOCK, 2006; £100 million 2 1/2 per cent INDEX-LINKED TREASURY STOCK, 2016. The price paid by the Bank on issue was in each case the middle market price of the relevant Stock at 3.30 p.m. on 28th July 1988 as certified by the Government Brokers.

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FINANCIAL TIMES

Europe's Business Newspaper

US insider inquiries gain pace

By James Buchan in New York

THE WIDENING investigation into insider trading in stocks tipped by Business Week magazine claimed two more victims by the weekend when Prudential-Bache, the Wall Street investment firm, fired one young broker and Advest, a smaller brokerage, suspended a second.

The double announcement confirms that the inquiry has tracked the source of recent advance leaks of Business Week stock tips to R.R. Donnelley & Sons, the magazine's main printer.

The two brokers worked in offices close to Donnelley plants in Torrance, California, and Old Saybrook, Connecticut, which print Business Week.

Prudential-Bache said yesterday it had fired Mr Brian Callahan, 28, a broker at its Anaheim, California, office. The firm is also investigating a trading account held with the firm by a Donnelley employee.

The Advest broker, unidentified, worked in the firm's New London, Connecticut, office.

On Wednesday, Merrill Lynch fired Mr William Dillon from its New London office.

US MONEY AND CREDIT

Greenspan soothes the inflation worriers

IT IS just under a year ago that Mr Alan Greenspan replaced Mr Paul Volcker as chairman of the Federal Reserve Board. But even before he reaches his anniversary as the second most important man in America, Mr Greenspan seems to have equalled his predecessor's Olympian stature and almost supernatural powers.

When Mr Greenspan declared on Thursday that he saw "fewer surprises than normal" in recent economic developments, the world's financial markets were overwhelmed by this intelligence. It obviously meant that there was no cause for anxiety in the economy's 3.1 per cent second-quarter growth rate — even if real final sales were rising at 5.4 per cent per annum or double the rate which Mr Greenspan had favoured two weeks earlier.

When he added that the one real surprise in the latest statistics — the 4.7 per cent increase in the GNP fixed-weight price index — was probably nothing more than a statistical aberration, his words seemed almost good enough to cut a point or so off everyone's inflation forecasts.

And when Mr Greenspan repeated his earlier assertions that a declining dollar could be counterproductive, the com-

ment was good for a jump of four pennings against the D-Mark, taking the US currency within a hair's breadth of the DM1.90 level not seen since the summer of last year. Certainly Mr Greenspan's remarks about the dangers of devaluation were more than enough to undo all the hard work of the Bundesbank and even the Federal Reserve itself in halting the dollar bulls in foreign exchange markets throughout the world.

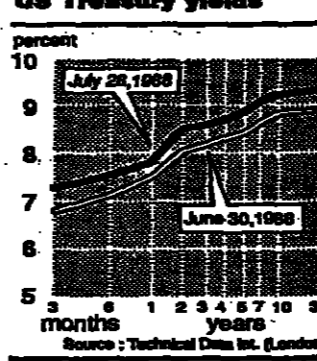
But even the currency market's faith in Mr Greenspan was nothing to the awe in which the US stock market seemed to hold him. The 75-point jump in the Dow Jones industrial average between Thursday lunchtime and Friday night was almost entirely attributable to the Fed chairman's efforts. A typical comment to hold him. The 75-point jump in the Dow Jones industrial average between Thursday lunchtime and Friday night was almost entirely attributable to the Fed chairman's efforts.

A typical comment to hold him. The 75-point jump in the Dow Jones industrial average between Thursday lunchtime and Friday night was almost entirely attributable to the Fed chairman's efforts.

With less than four months to go before the presidential elections, this is no time to take risks with investor confidence — in the stock market, the bond market or anywhere else. In November last year, in the aftermath of the crash, some analysts suggested that the Fed was targeting the Dow Jones industrial average. It may now be time to revive this idea. And if a strong dollar helps to support equity prices, so much the better.

For the world's largest inter-

US Treasury yields



Source: Technical Data Int. (London)

national debtor, a currency with an upward short-term bias is naturally much easier to control than one which always seems to be teetering on the edge of collapse. Indeed, from the Reagan Administration's standpoint the present interplay of forces in the foreign exchange is like a dream come true. As long as speculators remain eager to buy dollars, there can be no threat of international monetary instability and the concomitant domestic financial chaos.

Is it too Machiavellian to suggest, then, that the Fed and other central banks are actually helping to sustain the speculative pressures by intervening ineffectually to "restrain" the rising dollar? Without this kind of "smoothing" intervention the speculation might exhaust itself sooner — that is, before November. By backing limited international intervention against the dollar at present, the US authorities can hope to sustain the rally till after the elections and the Fed can build up the foreign exchange reserves which it will need eventually to defend the dollar when the trend turns.

Even the Bundesbank for all its protestations about inflationary dangers, cannot be too dissatisfied with the present currency situation. If it were not for the Fed's more aggressively to eliminate inflationary expectations by raising short-term interest rates.

In fact, the bidding for the

dollar gives the West German central bank a golden opportunity to unload its excessive US currency reserves, restraining German money supply growth and turning a tidy profit in the bargain.

The Bundesbank, like the Fed, must take some satisfaction in the knowledge that the more dollars it can unload on speculators today, the more it will be able to buy back later, when it ultimately needs to do this to protect the US currency from collapse.

Two weeks ago the Bank of Japan, too, seemed to be playing this cat and mouse game, allowing speculators to push the dollar as high as ¥195 on July 15. The sudden and alarming decline in the Tokyo stock market in the next two trading days must have convinced the Japanese that they were playing with fire. Since the 800-point fall in the Nikkei index on July 18 and 19, the yen has remained very stable between ¥181 and ¥182.5 to the dollar, regardless of the gyrations of currencies and interest rates in other parts of the world.

With all the world's policy-makers desperate not to rock the financial boat before November, perhaps they have at least agreed on an international currency standard — the Dow-Nikkei-Bush standard.

Anatole Kaletsky

Money Market Services forecasts were unavailable this week.

US MONEY MARKET RATES (%)

Table with columns: Last Friday, 1 week ago, 4 wks ago, 12-month high, 12-month low. Rows include Fed Funds (weekly average), Three-month Treasury Bills, Six-month Treasury Bills, Three-month prime CD, 90-day Commercial Paper, 90-day Commercial Paper.

US BOND PRICES AND YIELDS (%)

Table with columns: Last Friday, Change vs wk, Yield, 1 week ago, 4 wks ago. Rows include Seven-year Treasury, 10-year Treasury, 30-year Treasury, New 10-year Financial, New 10-year Industrial.

NRI TOKYO BOND INDEX

Table with columns: Average, Last, 12 wks, 26 wks. Rows include December 1985 = 100, Overall, Government Bonds, Municipal Bonds, Govt-guaranteed Bonds, Bank Deposits, Non-corporate Foreign Bonds, Government 10-year.

FT/AIBD INTERNATIONAL BOND SERVICE

Large table listing international bonds with columns for Issuer, Maturity, Yield, Price, etc. Includes entries for various countries like Germany, France, UK, etc.

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FINANCIAL TIMES

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July 1988



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Managed by:

The Toronto-Dominion Bank, Westpac Banking Corporation

Facility and Swing Line Agent:

Bank of America International Limited



STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions. FLAT-RATE BONDS: US Dollars unless indicated. Margin above six-month offered rate for US dollars. Coupon — current coupon. CONVERTIBLE BONDS: US Dollars unless indicated. Price — percentage premium of the current offer price of bonds above the bond over the most recent three prices. WARRANTS: Equity warrant price — exercise premium over current share price. Bond warrant yield — exercise yield at current warrant price. Closing prices on AIBDD

INTERNATIONAL CAPITAL MARKETS

EUROCREDITS

Crowther to provide material for banks

A \$70m DEAR to help finance last week's \$93.5m management buyout of the cloth and clothing interests of the John Crowther Group, the company purchased earlier this year by Coloroll, the UK home furnishings concern, should provide some material for syndicators this week as many banks start to wind down business for August.

The two-tranche transaction, which is being arranged by S.G. Warburg, is expected to be syndicated shortly. The \$50m first tranche takes the form of a seven-year term loan, while the second is a \$20m seven-year revolving credit. The margin is 2 per cent over London interbank offered rate with a commitment commission of 1/8 per cent.

Chemical Bank's \$50m financing for the management buyout at Reed International should be in general syndication this week following the closing of the buyout agreement last Thursday night.

However, there are still a few wrinkles to be ironed out, according to one banker, amid suggestions from some that matters may not be going as smoothly as expected. Meanwhile, the jury remains out on the much bigger financing that may be needed should Goodman Fielder Wattle succeed in its bid for Ranks Hovis McDougall.

Sterling commercial paper programmes proved lively last week, with a \$200m deal for United Newspapers, arranged by Lloyds Bank Capital Markets group. The same team also announced a \$100m programme, with a Eurodollar commercial paper option, for Costain, the UK building group.

EUROMARKET TURNOVER (\$bn)

Table showing Euro market turnover for US\$ and DEM with columns for Straight, Conv, FBN, and Over for various months.

Week to July 28, 1988. Source: ABN

The new transaction replaces an earlier programme of the same size for the same company, which had never been used owing to a technical oversight regarding the borrowing vehicle. The lesson has been learned and the new facility will be active.

Meanwhile, Hanson Trust has become one of the very few companies which now have an "unlimited" sterling CP programme, having replaced its earlier \$200m deal with a limitless transaction. Barclays de Zoete Wedd, County NatWest and Warburg remain the key banks involved.

BICC, the construction, cables and systems concern, is supplementing its \$200m multiple option facility announced in June with a \$100m sterling commercial paper programme, arranged by BZW.

Meanwhile, Capital & Counties, the UK property group, is extending its multiple option facility (MOF) arranged in May 1987. The facility now provides for \$100m in committed cash advance facility, an uncommitted facility option to a maximum of \$150m for multicurrency cash advances via a tender panel, US dollar notes via a tender panel and sterling commercial paper via a dealer.

An annual underwriting fee of 0.1 per cent is payable to the banks, while the maximum margin on both advances and notes has been cut to 0.15 per cent a year. The initial five-year term has been extended by one year to 1993. J. Henry Schroder Wang remains the lead bank.

Two revolving underwriting facilities (RUFs) last week included a \$80m transaction by Yamachi International (Europe) for Samsung Electronics America, guaranteed by its parent company and a \$70m deal for Bangkok Bank arranged by Merrill Lynch International out of Hong Kong. The five-year facility allows the bank to issue certificates of deposit with one- to six-month maturities as well as an option to borrow advances on a revolving basis.

Also in the Far East, Posco, the South Korean steel group, signed a \$270m three-tranche transaction, led by Citicorp International. There is a commitment fee of 1/4 per cent.

Haig Simonian

INTERNATIONAL BONDS

Demand dips as Continental investors take a break

ASK ANY observant trader or syndicate manager - the weathermen may hold that we have just suffered the wettest July for 20 years, but summer has definitely arrived in the Eurobond market.

Secondary trading was subdued overall and dealers who had been hoping that Wednesday's set of US and UK economic data would set some kind of clearer short- to medium-term direction for the markets were disappointed. Following initial confusion, bond prices in practically every sector settled down to track foreign exchange movements.

But it was on the primary market side that the signs of the summer wind-down were most apparent. Even Credit Suisse First Boston could only manage a single, largely pre-marketed dollar deal and, if the major Japanese securities houses manage to stick to their

proposed moratorium on new equity warrant deals, next week looks like being even quieter - particularly ahead of DS July employment data.

Nevertheless, it is still possible to bring a successful deal, provided the price and name are right or that the issue offers something out of the ordinary, as a few houses managed to prove last week.

UBS Securities and Merrill Lynch managed to locate sufficient European retail accounts to make a success of Sara Lee in US dollars and Eastman Kodak in Australian dollars.

Good demand was seen for the five-year Sara Lee issue, despite the dollar's seesaw antics on the foreign exchanges during the week, while the Kodak deal was slowed rather by the less than buoyant tone of the secondary Australian dollar market.

Bankers Trust International

was not so lucky with its \$100m issue for Philip Morris Credit, which was not deemed unfairly priced but was also affected by secondary market sentiment and slipped to trade outside its less later.

Although the competition for deal of the week must go to J.P. Morgan for its three-year issue for Austria which eventually emerged in Canadian dollars despite rumours that the sovereign was poised to launch a US dollar straight. Other influential houses bid keenly for the mandate but it was Morgan's proposed financial engineering in the form of an attractive swap which clinched the deal. The issue was raised to a total of C\$250m from the C\$200m originally indicated.

At the opposite end of the attractive deal spectrum came the seven-year \$300m issue for General Electric Capital. Ban-

que Paribas Capital Markets was the house which managed to beat several rivals to this mandate after the borrower held its customary tender.

Syndicate managers fear that GECC could be in danger of alienating many houses if it persists with this cost-cutting route to the market. Fights such as this one to lead new issues may be ideal for achieving a highly attractive cost of funds for the borrower, but inevitably result in a raw deal for the co-management group, with lead managers effectively subsidising the issue.

The deal's pricing - an initial 41 basis point spread over comparable Treasuries at launch - astounded many syndicate managers. "In this context, to say that it was ungenerous would be an overstatement. Given the current state of the market, at least 50 basis points would

have been the minimum we would have suggested for the borrower," said an official at a house which declined its invitation to join the group.

Two other deals which met a less than enthusiastic reception were in the Ecu sector which is still apparently groaning under the weight of new issuance. The sector remains very much at the mercy of swap rates and soon seems to reach bursting point. This was unfortunate for the week's two offerings which were otherwise fairly priced and well-managed. They included Ecu150m for LVMH Moët Hennessy Louis Vuitton via Deutsche Bank Capital Markets and Ecu75m for Mr Robert Maxwell's Maxwell Communications through Bayerische Vereinsbank.

A crop of sterling-denominated deals went down well, supported by the strength of the pound on the foreign exchanges. TSB Group of the UK came to the market twice with two rather novel issues. In the first, via Salomon Brothers International, the group became the first Bank of England institution to tap the burgeoning sterling mortgage-backed securities market with a \$135m floating-rate note through a special purpose company, Mortgage Express.

The issue is in line for a triple-A credit rating and is expected to boost the fledgling UK mortgage-backed market. TSB also tapped another young market with the issue of \$100m of subordinated variable rate notes through Merrill Lynch, which appears to have cornered the market in these issues - the first international debt offering by TSB and not through an issuing subsidiary.

Dominique Jackson

NEW INTERNATIONAL BOND ISSUES

Large table listing bond issues with columns for Borrowers, Amount m., Maturity, Av. life years, Coupon %, Price, Book runner, Offer yield %, and a second set of columns for Borrowers, Amount m., Maturity, Av. life years, Coupon %, Price, Book runner, Offer yield %.

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE

29th July, 1988



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U.S. \$100,000,000 3 3/4 per cent. Bonds 1992

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Issue Price 100 per cent.

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- List of financial institutions including Deutsche Bank Capital Markets Limited, DKB International Limited, Union Bank of Switzerland (Securities) Limited, Yamaichi International (Europe) Limited, Banque Bruxelles Lambert S.A., Banque Indosuez, Barclays de Zoete Wedd Limited, Baring Brothers & Co., Limited, Chase Investment Bank, Fuji International Finance Limited, IBI International Limited, Kleinwort Benson Limited, KOKUSAI Europe Limited, Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.), Kuwait International Investment Co. s.a.k., LTCB International Limited, Merrill Lynch International & Co., Morgan Stanley International, New Japan Securities Europe Limited, The Nikko Securities Co., (Europe) Ltd., Nippon Kangyo Kakumaru (Europe) Limited, Norinchikin International Limited, Sanwa International Limited, Sanyo International Limited, Shearson Lehman Hutton International, Sumitomo Trust International Limited, S.G. Warburg Securities.

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June 29, 1988

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

United Brands acquires Spanish citrus exporter

By Tom Burns in Madrid

UNITED BRANDS, the US food multinational, has acquired 15 per cent of Pascual Hermanos, Spain's biggest exporter of citrus products.

Maria Pascual, the company's founder, Pascual Hermanos has subsidiaries in a dozen European countries and made pre-tax profits of Pta1.2bn (\$9.75m) last year on sales of nearly Pta40bn.

United Brands into the group, Pascual Hermanos now plans a stock market listing next month, but it is understood that the family will retain a majority of the shares.

Singer sells American Meter unit to Ruhrgas

By Anatole Kaletsky in New York

SINGER, the US electronics and defence conglomerate controlled by Mr Paul Bilzerian, the Florida corporate raider, has agreed to sell its American Meter division for \$132m to Ruhrgas of West Germany.

Canadian forest groups well ahead

By Robert Gibbens in Montreal

BIG CANADIAN forest products companies have reported sharply higher profits for the first half.

British Columbia Forest Products, controlled by Fletcher Challenge of New Zealand, earned C\$94.3m (US\$78m) net or C\$1.63 a share in the half-year to June, up from C\$85.1m or C\$1.15 a year earlier on sales of C\$749m against C\$690m.

in paper, packaging, building products and chemicals, was the exception. Hampered by a strike, it had second quarter net earnings of C\$24m against C\$44m (25 cents a share from 47 cents) as revenues dipped to C\$464m from C\$657m.

BOW VALLEY Industries, the Canadian oil and gas group in which British Gas earlier this year bought 51 per cent control, dipped slightly into the red as a consequent restructuring took effect in its latest quarter to June. Our Financial Staff writes.

The net loss of C\$500,000 (US\$413m) or 7 cents per share

Interest income was higher and earnings also benefited from a lower tax rate and larger contributions from MacMillan-Bathurst, a joint packaging venture, and the Celgar pulp mill in British Columbia jointly owned with the Cel-

compared with C\$18.9m profits (33 cents a share) for the same period of 1987. Revenues rose to C\$70.1m from C\$65.7m.

Over the first half, net profits were cut to C\$6.5m from C\$11.5m on a per-share basis this was break-even compared with 51 cents earnings. Sales were C\$129.6m.

The six-month result was C\$61m compared with C\$88m (64 cents against 85 cents). Sales were up to C\$1.22bn from C\$1.2bn.

A strong performance in forest products and energy brought good results for Consolidated-Bathurst (CB), offsetting lower earnings from packaging.

CB Pak, its main packaging subsidiary, had first-half earnings of C\$14m or 68 cents a share against C\$13m or 55 cents on sales of C\$245m against C\$252m.

Power Corporation, which owns 40 per cent of CB, lifted profit to C\$104.4m or 78 cents a share from C\$90.7m or 68 cents, on revenues of C\$111m against C\$97m. The company embraces the financial services, communications and industrial interests of Mr Paul Desmarais, the Montreal financier.

Power Financial, the 60 per cent owned financial services subsidiary, had first-half profit of C\$79m or 87 cents a share against C\$81m or 90 cents a year earlier. Second-quarter net was equal to 44 cents against 43 cents.

The first-half decline was due mainly to the Investors Group subsidiary, Canada's largest mutual funds group, where sales were affected by the post-October crash atmosphere.

Santander in Italian bank deal

By Our Financial Staff

BANCO SANTANDER, Spain's fourth largest bank, has concluded a deal to acquire a 30 per cent stake in an Italian bank owned by Cassa di Risparmio delle Provincie Lombarde (Cariplo), Italy's biggest savings bank.

cluded after more than a year of negotiations which last month ran into further snags - Cariplo will in return receive up to 30 per cent of Banca Jover, a retail bank in Spain's booming north-east region of Catalonia, a joint statement said.

sold off subsidiaries in four Latin American countries, last year acquired a small West German bank, Bankhaus Centrale Credit. Santander has also said it plans to buy Credit du Nord Belge, the Belgian banking subsidiary of France's Credit du Nord, in a cash transaction.

Santander will gain a significant foothold in Istituto Bancario Italiano (IBI), Italy's 12th biggest commercial bank. The bank, which has 69 branches, is wholly owned by Cariplo. Under the agreement - con-

In addition, Cariplo will receive a stake of about 1 per cent in Banco Santander and an unspecified cash consideration, Santander added. Santander, which recently

Talks between Santander and Cariplo came close to collapse last May when the Cariplo board vetoed an earlier proposed share swap agreement.

Westpac keeps clear of BNZ

By Bruce Jacques in Sydney

WESTPAC, one of Australia's leading banks, has ruled itself out as a bidder for Bank of New Zealand (BNZ), which the Wellington Government is seeking to privatise.

retail banking market and it would be unreasonable to expect also to control the 38 per cent held by BNZ.

in the world's top 100 banks, both acquisitions and capital raisings would be needed.

Mr Stuart Fowler, Westpac managing director, told a Securities Institute of Australia meeting in Sydney that Westpac already accounted for 22 per cent of New Zealand's

Mr Fowler's comments followed the announcement in the New Zealand budget last week that BNZ and a number of other government-held assets would be privatised. He acknowledged that if Westpac wished to maintain its position

As a result, he has now obtained control of the company's core defence electronics business for little or no outlay.

Purchases help sales rise at Everite

By Jim Jones in Johannesburg

ACQUISITIONS AND restructuring have contributed to an 11 per cent increase in annual sales by Everite, the South African fibre cement company controlled by the Swiss Eternit group.

Last year the concrete division was sold, the plastic pipes division was merged with a competitor and the building products interests of former competitor Turner & Newall were consolidated for the full

year. Turnover increased to R324m (\$138m) in the year to June from R292m but the directors say the figures are not strictly comparable.

Mr Bilzerian obtained control of the Connecticut-based Singer, which was at one time the world's leading manufacturer of sewing machines, but diversified successfully into electronics, after a lengthy and acrimonious takeover battle which was interrupted by last October's stock market crash.

When Mr Bilzerian revived his bid for the company last autumn, there was widespread scepticism about his ability to finance a takeover.

When Singer finally agreed in January to be bought for \$1.06bn, Wall Street also wondered whether the corporate raider had overpaid once other costs had been taken into account.

In the past six months, however, Mr Bilzerian seems to have had no difficulty in persuading buyers, several of them foreign, to pay larger than expected sums for Singer's peripheral operations.

As a result, he has now obtained control of the company's core defence electronics business for little or no outlay.

It appears in retrospect that Mr Bilzerian was right in his view about the stock market's inability to put a correct valuation on Singer's many small subsidiaries, several of which, like American Meter, were operating in relatively obscure and unglamorous industries.

American Meter supplies residential gas meters to utility companies. It is based in Philadelphia and has several facilities in North America and Europe. Its annual sales and profits were not disclosed. Ruhrgas, the leading German distributor of natural gas, is owned by a number of the country's energy companies.

Swissair first-half profits boosted by heavier traffic

By John Wicks in Zurich

SWISSAIR reports "gratifying" results for the first six months, following the continuation of an upturn in traffic which began in the final quarter of 1987.

whole. Last year net earnings improved by 11.8 per cent to a record SF772.1m, enabling dividends to be raised from SF33 to SF36 per share and from SF76.80 to SF77.20 per participation certificate.

Preliminary operating accounts show a 5.6 per cent rise in total revenues in comparison with the corresponding period of last year to just under SF2bn (\$1.28bn). Gross profits for the period increased sharply from SF1.03m to SF1.61m.

At the same time, shareholders have been informed that Swissair is "giving consideration to raising its share capital." This is explained by the airline's recent equity participations in Crossair and Austrian Airlines, and the Galileo and Covia reservation systems.

With depreciation up by only SF13m to SF135m, the airline posted its first net profit for the January-June period since 1985.

US federal authorities on Friday approved the sale by UAL, parent of United Airlines, of half its Apollo system to Covia, a European-controlled consortium, for some \$500m.

Swissair expects a "satisfactory" result for 1988 as a

Saga Petroleum raises Eurobond issue to \$95m

By Karen Fosell in Oslo

SAGA PETROLEUM, the Norwegian oil independent, plans to use its latest Eurobond issue to help fund investments in offshore oil and gas developments.

when market conditions become favourable.

The five-year issue was increased to \$95m, at 10 1/2 per cent and 100% from \$75m because of good demand, lead manager Credit Suisse First Boston said.

Terms of the convertible issue have yet to be finalised but Saga said the conversion premium would be a minimum 20 per cent above the market price of the company's shares.

Mr Per Fjærmerstad, a senior executive with Saga, said the company's long-term financing strategy was to tap capital markets further.

Saga has until September 1 to launch the issue after which it will have to seek a new mandate to extend the deadline.

The new issue, however, does not pre-empt earlier plans announced in June to launch a convertible Eurobond of between \$100m and \$150m

Saga is gearing up for development of its NR310m Snorre oil and gas field off the west coast of central Norway. The field is one of the largest known untapped resources on Norway's continental shelf and Saga plans to bring it into production by 1992.

Acquisitions lift Wella

By Our Financial Staff

WELLA, the West German hair care and cosmetics group, lifted group pre-tax profits 8.1 per cent to DM71.8m (\$38.2m) in the first half to June as sales, buoyed by acquisitions,

grew 12.4 per cent to DM1.01bn.

For the Wella parent company alone, pre-tax profit was given as DM22.1m against DM20.4m.

Kyowa Hakko up 26.9%

By Ian Rodger in Tokyo

PRE-TAX PROFITS of Kyowa Hakko, the Japanese pharmaceutical, chemical and drinks group, rose 26.9 per cent to ¥11.3bn (\$88m) in the first half, thanks to brisk drug sales.

Net profits rose 12.5 per cent to ¥4.5bn, but the interim dividend was held at ¥3 per share. Kyowa Hakko expects its pre-tax profit to reach ¥12bn in the full year, up 23.3 per cent.

Advertisement for Fletcher Challenge Limited. It features the company logo, the name 'Fletcher Challenge Limited', and lists major investors including Banco Bozano, Simonsen de Investimento S.A., Morgan Grenfell & Co. Limited, and various international banks and securities firms like Salomon Brothers, J.P. Morgan, and BNP Capital Markets. The total amount invested is listed as U.S. \$50,830,000. The notes are 10 1/2% due July 19, 1995.

UK COMPANY NEWS

De La Rue paying £3.9m for Dutch ticket printer

By Ray Beahford

DE LA RUE, the security printing and printing technology group in which Mr Robert Maxwell and business associates have a 14.9 per cent holding, has purchased ILS Systems, a Dutch specialist lottery ticket printer.

countries, including Britain, are considering the establishment of national lottery systems. Mr White said that ILS would give De La Rue a sound launching pad from which to expand its operations.

which last year totalled £2.5m. The company returned pre-tax earnings of £800,000. Mr White said that ILS's technology could be transferred to Britain and other European countries.

Runciman forecasts 29% rise to near £4m

By Clay Harris

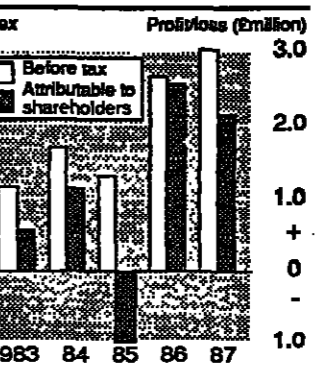
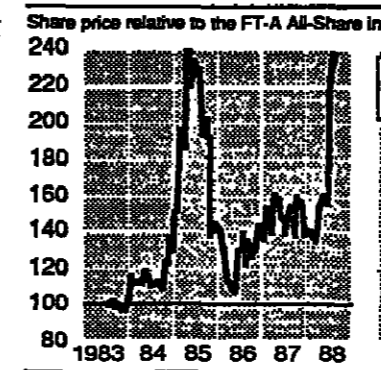
WALTER RUNCIMAN, the shipping and safety group, is forecasting pre-tax profits of £3.8m for this year, a 29 per cent advance over the 1987 result.

Right price could sway loyalists

Clare Pearson on the bid defence from Wolstenholme Rink

THE £27m bid for Lancashire-based lithographic materials and metal powders group Wolstenholme Rink is right in line with other deals carried out by Cookson Group.

Wolstenholme Rink



holder Charter Consolidated, and a stream of other mining companies connected together through historic cross-shareholdings.

quietly taking over a private company," says Mr Derek Netherton of Schroders, Wolstenholme's advisers.

Merrydown advances 16%

Merrydown Wine, East Sussex-based cider producer, saw taxable profits for the year ended March increase by 16 per cent from £1.27m to £1.48m.

Wace profits doubled to £3m at halfway

WACE GROUP, pre-press services concern, reported pre-tax profits more than doubled, on a merger-accounting basis, from £1.41m to £3.01m for the six months to the end of June.

7.2p (4.1p). A 25 per cent rise in the interim dividend to 1.25p has been declared. Over the period, Wace has acquired 10 trading operations for a total of £2m.

Zurich agreed bid for Ecobric

By Vanessa Houlder

ZURICH, a private property development group, has announced a recommended bid for Ecobric, the loss-making demolition company.

been sought since the prospects for Ecobric as an independent company were not encouraging. There would only be limited and slow progress without major refinancing.

£150,000 for the year to January 31 1988. Zurich, which mainly deals in commercial and large-scale residential projects in the south east of England, forecasts a £6m pre-tax profit for the nine months to January 1988.

AMS Inds falls sharply in first half

Taxable profits of AMS Industries fell sharply from £247,000 to £263,000 in the six months ended May 31 1988, but this maker of microprocessor based systems is paying an unchanged interim dividend of 0.5p.

Bristol Water issue terms could interest French

By Andrew Hill

LOCAL CONSUMERS and employees will be given priority in the application for £25m of new convertible preference stock to be issued by Bristol Waterworks Company.

interested in further expansion in the UK. The £25m of convertible redeemable preference stock to be issued will not carry votes, but when converted into ordinary stock - which does carry voting rights - could have the effect of slightly diluting the French holdings in the company.

TVS ENTERTAINMENT PLC. Proposed acquisition of MTM Entertainment, Inc. Open offer by COUNTY NATWEST LIMITED. of 49,963,818 convertible preference shares at 100p per share and the proposed issue of 21,233,174 new ordinary shares.

Optical and Medical International raised pre-tax profits by 30 per cent from £2.33m to £3.04m. Tax took £92,000 (£331,000) and earnings per share came out at 0.56p (2.02p).

Shield expands 28% to £1.6m

The Shield Group, the USM-quoted property developer and estate agent, has reported pre-tax profits of £1.6m for the year to March 31.

Turnover more than doubled to £15.12m (£6.72m). After tax profit of £152,000 to £565,000, earnings per share worked through at 6.21p (10.4p).

Derek Bryant Group p.l.c. (to be renamed D.G. Durham Group plc) following the reorganisation of Derek Bryant Group p.l.c., Acquisition of NCV Group Holdings Limited, Rights Issue of 6,386,950 new Ordinary Shares of 10p each at 50p per share.

Cardiff Property profit trebled

Cardiff Property turnover was £106,628 (£87,075) for half year to March 31 1988 and pre-tax profits £48,469 (£16,402).

serif cowells plc Open Offer by Lloyds Merchant Bank Limited and Albert E. Sharp & Co. of 2,500,000 Ordinary Shares of 25p each at 160p per share.

FT Share Information Service

The following securities were added to the Share Information Service in Saturday's edition: Anglesy Mining (Section: Miscellaneous); Bear Brand (Ord. & Warrants) (Industrials).

Bookham Austin (Buildings), Caldwell Instruments (Third Market); Hi-Tec Sports (Leisure); Transwood (Ord. & Warrants) (Trusts, Finance, Land).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interim or final and the subdivisions shown below are based solely on last year's disclosures.

Table with columns: Company Name, Date, Dividend Type. Includes Anaschier (Henry) Aug 8, BHP Aug 9, etc.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table.

Table with columns: Date, Dividend Type, Amount. Includes BOC Aug 10, BSR Int'l Aug 10, etc.

serif cowells plc Open Offer by Lloyds Merchant Bank Limited and Albert E. Sharp & Co. of 2,500,000 Ordinary Shares of 25p each at 160p per share.

FINANCIAL TIMES STOCK INDICES. Table with columns: Index Name, July 29, July 27, July 26, July 25, July 22, High, Low, Since Completion, High.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Trust, Abstract Management Ltd, and others, with columns for name, type, and other details.

Table listing unit trusts including Anderson Group Unit Trust, Arbury Water Unit Trust, and others.

Table listing unit trusts including Balfour Beatty & Co Ltd, Bank of Ireland Fund, and others.

Table listing unit trusts including Baxendale Management Co Ltd, BCC Unit Trusts, and others.

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Table listing unit trusts including Baxendale Management Co Ltd, BCC Unit Trusts, and others.

I.G. INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD. Tel: 01-822 7233/5699. Reuters Code: IGIN, IGI0.

JOTTER PAD: A grid for taking notes with columns for date, time, and other fields.

CROSSWORD

Crossword puzzle grid with clues for across and down words.

ACROSS: 1 Put obstacle in the way, bringing work to standstill (6). 4 Drink yerba without the trimmings! It's great (6). 8 Discover urn in Petasmo, Vauxes etc. (7). 9 Air traffic controller lands squadron leader. He's in (7). 11 What seems like a return to slavery is intentional (10). 12 Roll to one side! (4). 13 It's dismal being dead before the end (5). 14 As early American was: kind of cool and laid back (8). 16 One who's critical? The Spectator? (9). 18 Dip right in what's imbibed (6). 20 Yarn, long gone, had the tang of the sea about it (4). 21 See, in slightly changed ructions, a firm move (10). 23 With-it chick indulges in arty display (7). 24 Thug who's a heavyweight - or worse one hears? (7). 25 A gee that's favourite for the plate (6).

Prices taken at 5pm and change is from previous close at 9pm.

Main table of unit trust information with columns for name, type, and other details.

For NLS input use - as FT input sheet. Headline Management Ltd (0200) 2511.

Table listing unit trusts including Abbey Unit Trust, Abstract Management Ltd, and others.

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Table listing unit trusts including Abbey Unit Trust, Abstract Management Ltd, and others.

GUIDE TO UNIT TRUST PRICING: The data included under the authorised section of the FT Unit Trust Information paper is being amended to improve the service to readers and to conform with new legislation.

FT UNIT TRUST INFORMATION SERVICE

Handwritten note: 10/10/10

INSURANCES

Main table containing unit trust information for various insurance companies, including names, codes, and prices. The table is organized into columns and rows, with sub-sections for different types of insurance and unit trusts.

OTHER UK UNIT TRUSTS

Table listing other UK unit trusts, including names like 'Bathurst & Co Ltd' and 'Charities Official Funds', with associated codes and prices.

Vertical text on the right edge of the page, possibly a page number or reference code.

FT UNIT TRUST INFORMATION SERVICE

Main table listing various unit trusts and financial services, including columns for company names, codes, and other identifying information.

MANAGEMENT SERVICES

Table listing management services provided by various firms, including names and contact information.

OFFSHORE AND OVERSEAS

Table listing offshore and overseas financial services, including names and contact information.

OFFSHORE INSURANCES

Table listing offshore insurance providers, including names and contact information.

Handwritten text at the bottom of the page, possibly "oil units".

FT UNIT TRUST INFORMATION SERVICE

Table containing FT Unit Trust Information Service data, including columns for Fund Name, Investment Objective, and Performance Metrics.

LONDON SHARE SERVICE

Table containing London Share Service data, including sections for British Funds, Foreign Bonds & Rails, and Americans.

OTHER OFFSHORE FUNDS

Table containing Other Offshore Funds data, including columns for Fund Name, Investment Objective, and Performance Metrics.

Money Market Trust Funds

Table containing Money Market Trust Funds data, including columns for Fund Name, Investment Objective, and Performance Metrics.

Money Market Bank Accounts

Table containing Money Market Bank Accounts data, including columns for Bank Name, Account Type, and Interest Rate.

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Vertical text on the left margin, possibly a page number or date.

Vertical text on the right margin, possibly a page number or date.

LONDON SHARE SERVICE

AMERICANS - Contd

Table listing American stocks with columns for Stock, Price, Div, and Expiry. Includes companies like American Express, American International, and American Telephone.

CANADIANS

Table listing Canadian stocks with columns for Stock, Price, Div, and Expiry. Includes companies like Alcan, Bank of Montreal, and Canadian National.

BANKS, HP & LEASING

Table listing financial institutions and leasing companies with columns for Stock, Price, Div, and Expiry. Includes companies like Bank of America and Citicorp.

BEERS, WINES & SPIRITS

Table listing beverage companies with columns for Stock, Price, Div, and Expiry. Includes companies like Heineken and Carlsberg.

BUILDING, TIMBER, ROADS

Table listing construction and infrastructure stocks with columns for Stock, Price, Div, and Expiry. Includes companies like Bovis Lend Lease and Bovis Lend Lease.

CHEMICALS, PLASTICS

Table listing chemical and plastic companies with columns for Stock, Price, Div, and Expiry. Includes companies like ICI and Shell Chemicals.

DRAPERY AND STORES

Table listing retail and clothing companies with columns for Stock, Price, Div, and Expiry. Includes companies like Debenhams and Next.

BUILDING, TIMBER, ROADS

Table listing construction and infrastructure stocks with columns for Stock, Price, Div, and Expiry. Includes companies like Bovis Lend Lease and Bovis Lend Lease.

ELECTRICALS

Table listing electrical companies with columns for Stock, Price, Div, and Expiry. Includes companies like British Telecom and British Gas.

ENGINEERING - Contd

Table listing engineering companies with columns for Stock, Price, Div, and Expiry. Includes companies like BAE Systems and British Aerospace.

ENGINEERING

Table listing engineering companies with columns for Stock, Price, Div, and Expiry. Includes companies like BAE Systems and British Aerospace.

ENGINEERING

Table listing engineering companies with columns for Stock, Price, Div, and Expiry. Includes companies like BAE Systems and British Aerospace.

ENGINEERING - Contd

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ENGINEERING - Contd

Table listing engineering companies with columns for Stock, Price, Div, and Expiry. Includes companies like BAE Systems and British Aerospace.

ENGINEERING - Contd

Table listing engineering companies with columns for Stock, Price, Div, and Expiry. Includes companies like BAE Systems and British Aerospace.

INDUSTRIALS (Miscel) - Contd

Table listing industrial companies with columns for Stock, Price, Div, and Expiry. Includes companies like British Steel and British Petroleum.

INDUSTRIALS (Miscel) - Contd

Table listing industrial companies with columns for Stock, Price, Div, and Expiry. Includes companies like British Steel and British Petroleum.

INDUSTRIALS (Miscel) - Contd

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INDUSTRIALS (Miscel) - Contd

Table listing industrial companies with columns for Stock, Price, Div, and Expiry. Includes companies like British Steel and British Petroleum.

INDUSTRIALS (Miscel) - Contd

Table listing industrial companies with columns for Stock, Price, Div, and Expiry. Includes companies like British Steel and British Petroleum.

INDUSTRIALS (Miscel) - Contd

Table listing industrial companies with columns for Stock, Price, Div, and Expiry. Includes companies like British Steel and British Petroleum.

LONDON SHARE SERVICE

LEISURE - Contd

Table of Leisure shares including titles like Leisure Group, Leisure Leisure, Leisure Leisure, etc.

PAPER, PRINTING, ADVERTISING - Contd

Table of Paper, Printing, Advertising shares including titles like Paper, Printing, Advertising, etc.

TEXTILES - Contd

Table of Textiles shares including titles like Textiles, Textiles, Textiles, etc.

TRUSTS, FINANCE, LAND - Contd

Table of Trusts, Finance, Land shares including titles like Trusts, Finance, Land, etc.

OIL AND GAS - Contd

Table of Oil and Gas shares including titles like Oil and Gas, Oil and Gas, Oil and Gas, etc.

MINES - Contd

Table of Mines shares including titles like Mines, Mines, Mines, etc.

MOTORS, AIRCRAFT TRADES

Table of Motors, Aircraft Trades shares including titles like Motors, Aircraft Trades, etc.

PROPERTY

Table of Property shares including titles like Property, Property, Property, etc.

TOBACCO

Table of Tobacco shares including titles like Tobacco, Tobacco, Tobacco, etc.

TRUSTS, FINANCE, LAND

Table of Trusts, Finance, Land shares including titles like Trusts, Finance, Land, etc.

OVERSEAS TRADERS

Table of Overseas Traders shares including titles like Overseas Traders, Overseas Traders, etc.

PLANTATIONS

Table of Plantations shares including titles like Plantations, Plantations, etc.

Commercial Vehicles

Table of Commercial Vehicles shares including titles like Commercial Vehicles, Commercial Vehicles, etc.

Investment Trusts

Table of Investment Trusts shares including titles like Investment Trusts, Investment Trusts, etc.

Finance, Land, etc

Table of Finance, Land, etc shares including titles like Finance, Land, etc, etc.

Central Bank

Table of Central Bank shares including titles like Central Bank, Central Bank, etc.

Eastern Bank

Table of Eastern Bank shares including titles like Eastern Bank, Eastern Bank, etc.

Far West Bank

Table of Far West Bank shares including titles like Far West Bank, Far West Bank, etc.

Garages and Distributors

Table of Garages and Distributors shares including titles like Garages and Distributors, Garages and Distributors, etc.

Shipping

Table of Shipping shares including titles like Shipping, Shipping, etc.

Shoes and Leather

Table of Shoes and Leather shares including titles like Shoes and Leather, Shoes and Leather, etc.

Oil and Gas

Table of Oil and Gas shares including titles like Oil and Gas, Oil and Gas, etc.

Diamond and Platinum

Table of Diamond and Platinum shares including titles like Diamond and Platinum, Diamond and Platinum, etc.

Central African

Table of Central African shares including titles like Central African, Central African, etc.

NEWSPAPERS, PUBLISHERS

Table of Newspapers, Publishers shares including titles like Newspapers, Publishers, etc.

South Africans

Table of South Africans shares including titles like South Africans, South Africans, etc.

Textiles

Table of Textiles shares including titles like Textiles, Textiles, etc.

Finance

Table of Finance shares including titles like Finance, Finance, etc.

Australians

Table of Australians shares including titles like Australians, Australians, etc.

Regional & Irish Stocks

Table of Regional & Irish Stocks shares including titles like Regional & Irish Stocks, Regional & Irish Stocks, etc.

PAPER, PRINTING, ADVERTISING

Table of Paper, Printing, Advertising shares including titles like Paper, Printing, Advertising, etc.

Shoes and Leather

Table of Shoes and Leather shares including titles like Shoes and Leather, Shoes and Leather, etc.

South Africans

Table of South Africans shares including titles like South Africans, South Africans, etc.

Textiles

Table of Textiles shares including titles like Textiles, Textiles, etc.

Traditional Options

Table of Traditional Options shares including titles like Traditional Options, Traditional Options, etc.

Property

Table of Property shares including titles like Property, Property, etc.

A selection of Options traded is given on the London Stock Exchange Report Page. This service is available to every Company dealt in on the Stock Exchange throughout the United Kingdom for a fee of 8500 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling may be living on borrowed time

By Jonas Croeland

THE STRONG performance of sterling in foreign exchange markets now begs the question: how long will it last? This will be in the minds of many when trading opens in London this morning.

D-Mark at a two-year low against sterling and near a one-year low in dollar terms. Despite last week's rise in the West German Lombard rate.

Investors see every reason for feeling confident about securing a good return on sterling investments, at least in the short term. Mr Nigel Lawson, UK Chancellor of the Exchequer, has acknowledged that inflation is likely to rise before it falls, but he has pledged to take whatever steps are necessary to minimise the upward trend.

thought suggests that high levels of sterling will not be achieved. Their argument is that that economic fundamentals - principally the deteriorating current account deficit - will ultimately cause a downward correction in sterling's value.

The dollar, meanwhile, has enjoyed a return to favour, rising nearly three per cent against the D-Mark and one and a half per cent in yen terms in just one week. Central banks have endeavoured to take out some of the speculative surge, but inflation worries last week left dollar bulls with the upper hand.

While the US economy continues to grow in a relatively satisfactory fashion - led by strong export growth - the authorities are only too aware that inflation in the second quarter of the year has risen by an annualised rate of 4.7 p.c., a point not lost on Mr Greenspan. It is possible that subsequent adjustment may alter this figure, yet on the surface this has been the highest rate among major industrialised countries, excluding Italy, and any signs of a continuing upward trend seem certain to lead to a further tightening of monetary policy by the US Federal Reserve.

IN NEW YORK

Table with columns: July 29, Open, Pre-close, Close. Rows for 4 spot, 1 month, 3 month, 6 month, 12 month.

STERLING INDEX

Table with columns: July 29, Previous. Rows for 8.30 am, 10.00 am, 11.00 am, 12.00 pm, 1.00 pm, 2.00 pm, 3.00 pm, 4.00 pm.

CURRENCY RATES

Table with columns: July 29, Bank, Special, European. Rows for Sterling, US Dollar, Canadian Dollar, Australian Dollar, etc.

CURRENCY MOVEMENTS

Table with columns: July 29, Bank of England, Morgan's, Change. Rows for Sterling, US Dollar, Canadian Dollar, etc.

OTHER CURRENCIES

Table with columns: July 29, £, S. Rows for Argentina, Australia, Brazil, Canada, etc.

FORWARD RATES AGAINST STERLING

Table with columns: Spot, 1 month, 3 months, 6 months, 12 months. Rows for US Dollar, D-Mark, Swiss Fr, Yen, etc.

MONEY MARKETS

UK rates look set to remain firm

THE UK Treasury will be hoping for a quieter time when money markets open this morning. With the exception of official reserves for July - due out tomorrow - there are no statistical data this week to lead the market.

time for Mr Nigel Lawson, UK Chancellor of the Exchequer. Foreign investors seem keen to buy sterling, on the premise that interest rates are set to rise, or at least remain stable, and most forecasters echo this view.

caught the market on the wrong foot too many times in the past for sterling to be regarded as a one way bet. That said, it is becoming increasingly more difficult to contain any downward movement in base rates from the current 10.5 p.c.

months, well above the official 1.5 p.c. target range. The authorities will be hoping that the rise in interest rates since June will start to feed through to the economy. Disposable income will fall as a result of higher mortgage rates, credit demand should slow, and the alarming rise in houses prices should moderate.

FT LONDON INTERBANK FIXING

Table with columns: 3 months US dollars, 6 months US dollars. Rows for Bid, Offer.

BANK OF ENGLAND TREASURY BILL TENDER

Table with columns: July 29, July 22. Rows for Bills on offer, Total of applications, Total allocated, etc.

WEEKLY CHANGE IN WORLD INTEREST RATES

Table with columns: July 29, change. Rows for 3-month interbank, Treasury Bill, 3-month Treasury, etc.

EURO-CURRENCY INTEREST RATES

Table with columns: July 29, Short term, 7 days notice, 1 month, 3 months, 6 months, 1 year. Rows for Sterling, US Dollar, etc.

EXCHANGE CROSS RATES

Table with columns: July 29, £, S, DM, Yen, F Fr, S Fr, H Fl, Lira, C \$, P Fr. Rows for £, S, DM, Yen, etc.

MONEY RATES

Table with columns: New York, Treasury Bills and Bonds. Rows for One month, Three month, Six month, etc.

Table with columns: July 29, Demand, One month, Two months, Three months, Six months, One year. Rows for Position, Zurich, London, etc.

LONDON MONEY RATES

Table with columns: July 29, Overnight, 7 days notice, One month, Three months, Six months, One year. Rows for Interbank Offer, Interbank Bid, etc.

PHILADELPHIA 6% 1/2 OPTIMS

Table with columns: Price, Bid, Offer, etc. Rows for 1.250, 1.275, 1.300, etc.

LONDON 6% 1/2 OPTIMS

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US TREASURY BOND FUTURES OPTIMS

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BASE LENDING RATES

Table with columns: ADR Bank, City Merchants Bank, NatWest Bank, etc.

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LONDON RECENT ISSUES

Table with columns: Issue, Amount, Latest, High, Low, Stock, Price, etc. Rows for various financial issues.

FIXED INTEREST STOCKS

Table with columns: Issue, Amount, Latest, High, Low, Stock, Price, etc. Rows for various fixed interest stocks.

RIGHTS OFFERS

Table with columns: Issue, Amount, Latest, High, Low, Stock, Price, etc. Rows for various rights offers.

EUROPEAN OPTIONS EXCHANGE

Table with columns: Series, Vol, Last, Bid, Offer, etc. Rows for various European options.

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FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Large table with columns: NATIONAL AND REGIONAL MARKETS, DOLLAR INDEX, FRIDAY JULY 29 1988, THURSDAY JULY 28 1988. Rows for various market indices.

WORLD STOCK MARKETS

Table with columns for Stock Name, Price, and Change. Includes sections for AUSTRALIA, FRANCE (continued), and JAPAN.

Table with columns for Stock Name, Price, and Change. Includes sections for ITALY, SWEDEN, and SOUTH AFRICA.

Table with columns for Stock Name, Price, and Change. Includes sections for CANADA, INDICES, and NEW YORK.

Table with columns for Stock Name, Price, and Change. Includes sections for AUSTRALIA (continued), FRANCE, and JAPAN (continued).

Table with columns for Stock Name, Price, and Change. Includes sections for ITALY (continued), SWEDEN (continued), and SOUTH AFRICA (continued).

Table with columns for Stock Name, Price, and Change. Includes sections for CANADA (continued), INDICES (continued), and NEW YORK (continued).

OVER-THE-COUNTER

Table with columns for Stock Name, Price, and Change. Includes sections for NEW YORK ACTIVE STOCKS and OVER-THE-COUNTER.

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NYSE COMPOSITE PRICES

Table of NYSE Composite Prices listing various stocks with columns for High, Low, and Change. Includes sub-sections for 'Continued from previous page' and 'Over-the-Counter'.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices listing various stocks with columns for High, Low, and Change. Includes sub-sections for 'Over-the-Counter' and 'Closing prices July 29'.

OVER-THE-COUNTER

Large table of Over-the-Counter prices listing various stocks with columns for High, Low, and Change. Includes sub-sections for 'Closing prices July 29' and 'Continued on Page 31'.

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